

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023**

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

Corporate Information

Name of the Company

The Kandy Hotels Company (1938) PLC

Company Registration No.

PQ 201

Legal Form

A public quoted company with limited liability

Stock Exchange Listing

The ordinary shares of the Company are listed on the Colombo Stock Exchange of Sri Lanka.

Board of 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)

Registered Office

No.327, Union Place, Colombo 02.

Tel :- 011 2421847

Fax :- 011 2325747

Email : Corporateoffice@ceylonhotels.net

Corporate website: www.chcplc.com

Secretaries

Accounting Systems Secretarial Services (Pvt) Limited

Level 03, No 11, Castle Lane, Colombo 04

Tel:- 011-2505152/ 011-5444425

External Auditors

Messrs. Ernst & Young, Chartered Accountants

No.839/2, Peradeniya Road, Kandy.

Hotel Reservations

Ceylon Hotels Corporation PLC

Regency Wing - Galle Face Hotel

No. 02, Galle Road, Colombo 03

Tel: 081-2222813/ 081-2233024

Email : gm.queens@kandyhotels.lk, gm.suisse@kandyhotels.lk

Website : www.queenshotel.lk, www.hotelsuisse.lk

(All amounts in Sri Lanka Rupees thousands)

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THE KANDY HOTELS COMPANY (1938) PLC

Statement of comprehensive income

(All amounts in Sri Lanka Rupees thousands)

	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		Group
	2023 (Unaudited)	2022 (Unaudited)	2023 (Unaudited)	2022 (Unaudited)	2023 (Unaudited)	2022 (Unaudited)	2023 (Unaudited)	2022 (Unaudited)	%
Revenue	330,862	85,343	416,439	146,649	161,100	85,343	246,677	146,649	184%
Less: Cost of sales	(88,389)	(31,099)	(122,328)	(54,377)	(41,886)	(31,099)	(75,825)	(54,377)	125%
Gross profit	242,473	54,244	294,111	92,272	119,214	54,243	170,852	92,272	219%
Other operating income	11,165	-	11,514	-	10,055	-	10,404	1.00	
Less: Operating expenses									
Selling and distribution expenses	(22,781)	(2,859)	(28,201)	(5,698)	(9,197)	(2,859)	(14,617)	(5,698)	395%
Administrative expenses	(308,843)	(55,703)	(391,705)	(114,886)	(87,609)	(55,645)	(170,432)	(114,753)	241%
Profit/(loss) from operations	(77,986)	(4,319)	(114,281)	(28,313)	32,463	(4,261)	(3,793)	(28,178)	304%
Finance income	124,974	38,835	124,976	66,073	6	38,835	8	66,073	89%
Less: Finance costs	(100,017)	(28,991)	(131,363)	(53,722)	(27,987)	(28,991)	(59,333)	(53,722)	145%
Net foreign exchange gain/(losses)	(35,857)	-	(36,133)	-	176	-	(100)	-	100%
Net finance income/(cost)	(10,900)	9,844	(42,520)	12,351	(27,805)	9,844	(59,425)	12,351	-444%
Share of loss of equity accounted investees, net of tax	-	(4,399)	-	(4,899)	-	-	-	-	
Profit/(loss) before income tax	(88,886)	627	(156,801)	(20,860)	4,658	5,583	(63,218)	(15,827)	652%
Less: Income tax expenses	16,271	2,025	16,271	(4,512)	3,936	2,024	3,936	(4,512)	-461%
Profit/(loss) for the period	(72,615)	2,652	(140,530)	(25,371)	8,594	7,607	(59,282)	(20,338)	454%
Other comprehensive income	-	-	-	-	-	-	-	-	
Other comprehensive income for the period, net of tax	-	-	-	-	-	-	-	-	
Total comprehensive income for the period, net of tax	(72,615)	2,652	(140,530)	(25,371)	8,594	7,607	(59,282)	(20,338)	454%
Profit/(loss) for the period attributable to:									
Equity Holders of the Company	(72,615)	2,652	(140,530)	(25,371)	8,594	7,607	(59,282)	(20,338)	
Non Controlling Interest	-	-	-	-	-	-	-	-	
	(72,615)	2,652	(140,530)	(25,371)	8,594	7,607	(59,282)	(20,338)	
Total comprehensive income attributable to:									
Equity holders of the Company	(72,615)	2,652	(140,530)	(25,371)	8,594	7,607	(59,282)	(20,338)	
Non controlling interest	-	-	-	-	-	-	-	-	
Total comprehensive income for the period	(72,615)	2,652	(140,530)	(25,371)	8,594	7,607	(59,282)	(20,338)	
Basic/ Diluted Earnings/(loss) per share (Rs.)	(0.10)	0.00	(0.22)	(0.04)	0.01	0.01	(0.09)	(0.04)	

The notes on pages 6 to 8 form an integral part of these financial statements.

THE KANDY HOTELS COMPANY (1938) PLC

Consolidated statement of changes in equity

(All amounts in Sri Lanka Rupees thousands)

	Stated Capital	FVOCI Reserve	Revaluation Reserves	Merger Reserve	Retained Earnings	Total Equity
Balance at 1 April 2022	16,750	-	7,834,303	-	818,040	8,669,094
Profit / (loss) for the year	-	-	-	-	(20,803)	(20,803)
Other comprehensive income	-	131,741	(1,080,840)	-	415	(948,684)
Total comprehensive income for the year	-	131,741	(1,080,840)	-	(20,389)	(969,488)
Transfer of excess depreciation on revaluation	-	-	(73,707)	-	73,707	-
Share of other comprehensive income attributable to joint venture	-	-	318,511	-	-	318,511
Dividends-(15% Cumulative preference shares)	-	-	-	-	(94)	(94)
Balance at 31 March 2023	16,750	131,741	6,998,267	-	871,265	8,018,023
Issue of Ordinary Shares	2,645,066	-	-	-	-	2,645,066
Acquisition under common control (Note 5)	-	(131,741)	-	(1,115,411)	-	(1,247,152)
Profit / (loss) for the period	-	-	-	-	(140,530)	(140,530)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	(140,530)	(140,530)
Transfer of excess depreciation on revaluation	-	-	(36,853)	-	36,853	-
Dividends-(15% Cumulative preference shares)	-	-	-	-	(37)	(37)
Balance at 30 September 2023	2,661,816	-	6,961,414	(1,115,411)	767,551	9,275,370

	Stated Capital	FVOCI Reserve	Revaluation Reserves	Merger Reserve	Retained Earnings	Total Equity
Balance at 1 April 2021	16,750	(75,000)	6,890,579	-	909,470	7,741,799
Profit / (loss) for the year	-	-	-	-	(154,280)	(154,280)
Other comprehensive income	-	75,000	1,007,575	-	(963)	1,081,612
Total comprehensive income for the year	-	75,000	1,007,575	-	(155,243)	927,332
Transfer of excess depreciation on revaluation	-	-	(63,851)	-	63,851	-
Dividends-(15% Cumulative preference shares)	-	-	-	-	(38)	(38)
Balance at 31 March 2022	16,750	-	7,834,303	-	818,040	8,669,093
Profit / (loss) for the period	-	-	-	-	(25,371)	(25,371)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	(25,371)	(25,371)
Transfer of excess depreciation on revaluation	-	-	(36,854)	-	36,854	-
Dividends-(15% Cumulative preference shares)	-	-	-	-	(19)	(19)
Balance at 30 September 2022	16,750	-	7,797,449	-	829,504	8,643,703

The notes on pages 6 to 8 form an integral part of these financial statements.

THE KANDY HOTELS COMPANY (1938) PLC

Statement of changes in equity - Company

(All amounts in Sri Lanka Rupees thousands)

	Stated Capital	FVOCI Reserve	Revaluation Reserves	Retained Earnings	Total Equity
Balance at 1 April 2022	16,750	-	7,706,236	1,123,185	8,846,171
Profit / (loss) for the year	-	-	-	(15,719)	(15,719)
Other comprehensive income	-	131,741	(1,080,840)	415	(948,684)
Total comprehensive income for the year	-	131,741	(1,080,840)	(15,304)	(964,403)
Transfer of excess depreciation on revaluation	-	-	(73,707)	73,707	-
Dividends-(15% Cumulative preference shares)	-	-	-	(94)	(94)
Balance at 31 March 2023	16,750	131,741	6,551,689	1,181,494	7,881,674
Issue of Ordinary Shares	2,645,066	-	-	-	2,645,066
Profit / (loss) for the period	-	-	-	(59,282)	(59,282)
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	-	-	(59,282)	(59,282)
Transfer of excess depreciation on revaluation	-	-	(36,854)	36,854	-
Dividends-(15% Cumulative preference shares)	-	-	-	(37)	(37)
Balance at 30 September 2023	2,661,816	131,741	6,514,835	1,159,029	10,467,421

	Stated Capital	FVOCI Reserve	Revaluation Reserves	Retained Earnings	Total Equity
Balance at 1 April 2021	16,750	(75,000)	6,762,512	1,282,855	7,987,117
Profit / (loss) for the year	-	-	-	(222,520)	(222,520)
Other comprehensive income	-	75,000	1,007,575	(963)	1,081,612
Total comprehensive income for the year	-	75,000	1,007,575	(223,483)	859,092
Transfer of excess depreciation on revaluation	-	-	(63,851)	63,851	-
Dividends-(15% Cumulative preference shares)	-	-	-	(38)	(38)
Balance at 31 March 2022	16,750	-	7,706,236	1,123,185	8,846,171
Profit / (loss) for the period	-	-	-	(20,339)	(20,339)
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	-	-	(20,339)	(20,339)
Transfer of excess depreciation on revaluation	-	-	(36,854)	36,854	-
Dividends-(15% Cumulative preference shares)	-	-	-	(19)	(19)
Balance at 30 September 2023	16,750	-	7,669,382	1,139,681	8,825,813

The notes on pages 6 to 8 form an integral part of these financial statements.

THE KANDY HOTELS COMPANY (1938) PLC

STATEMENT OF CASH FLOWS

(All amounts in Sri Lanka Rupees thousands)

For the six months ending September 30,

	Group		Company	
	2023 (Unaudited)	2022 (Unaudited)	2023 (Unaudited)	2022 (Unaudited)
Profit/(loss) before income tax from operations	(156,801)	(20,860)	(63,218)	(15,828)
Adjustments for:				
Depreciation of property, plant and equipment	78,552	29,744	36,039	29,744
Amortization of intangible assets	314	2,340	314	2,340
Provision for retirement benefit plans - gratuity	9,209	576	1,358	576
Finance income	(124,976)	(66,073)	(8)	(66,073)
Finance expenses	131,363	53,722	59,333	53,722
Share of result of equity accounted investee		4,899	-	-
Operating profit/ (loss) before working capital changes	(62,339)	4,348	33,818	4,481
(Increase)/decrease in inventories	(14,922)	(646)	(16,186)	(646)
(Increase)/decrease in trade and other receivables	56,881	(2,232)	(7,966)	(2,232)
(Increase)/decrease in amounts due from related parties	513,158	(1,361)	7,356	(6,932)
(Increase)/decrease in advances and prepayments	(16,208)	-	14,489	-
Increase/(decrease) in trade and other payables	13,737	13,606	26,980	13,622
Increase/(decrease) in amounts due to related parties	(410,109)	(10,881)	126,575	(10,524)
Cash generated from/ (used in) operations	80,198	2,834	185,066	(2,230)
Income taxes paid	(18,159)	(18,159)	(16,081)	(18,159)
Interest paid	(43,641)	(18,324)	(58,414)	(18,324)
Retirement benefit obligation paid	(510)	1,037	(510)	1,037
Net cash generated from/(used in) operating activities	17,888	(32,613)	110,061	(37,677)
Cash flows from investing activities				
Purchase/(disposal) of property, plant and equipment	(100,966)	(2,485)	(18,600)	(2,485)
Addition of intangible assets	-	(1,005)	-	(1,005)
Interest income received	98,166	-	8	-
Net change in interest bearing loans due from related parties	-	(13,930)	-	(13,930)
Investment in joint venture	-	(4,899)	-	-
Acquisition of subsidiary, net of cash	2,320,706			
Net cash generated from/(used in) investing activities	2,317,906	(22,318)	(18,592)	(17,420)
Cash flows from financing activities				
Loan Repayment during the year	(221,951)	(27,198)	(76,844)	(27,198)
Principle element of lease payment	(325)	-	-	-
Net cash flow from /(used in) financing activities	(222,276)	(27,198)	(76,844)	(27,198)
Net increase/(decrease) in cash & cash equivalents	2,113,518	(82,129)	14,625	(82,295)
Movement in cash & cash equivalents				
At the beginning of the year	(119,979)	13,055	(119,923)	13,246
Net increase/ (decrease) in cash & cash equivalents	2,113,518	(82,129)	14,625	(82,295)
At the end of the year	1,993,539	(69,074)	(105,298)	(69,049)
Cash and cash equivalents at the end of the financial year consist of the following.				
Cash in hand and banks	2,209,326	2,475	2,594	2,500
Bank overdrafts	(215,787)	(71,549)	(107,892)	(71,549)
	1,993,539	(69,074)	(105,298)	(69,049)

The notes on pages 6 to 8 form an integral part of these financial statements.

THE KANDY HOTELS COMPANY (1938) PLC

Notes to the condensed consolidated interim financial statements

(all amounts in the notes are in Sri Lanka Rupees thousands unless otherwise stated.)

1. General Information

The Kandy Hotels Company (1938) PLC ("the Company") is a public limited liability company incorporated and domiciled in Sri Lanka and is listed on the Colombo Stock Exchange. The registered office of the Company is located at 327, Union Place, Colombo 02.

The Company and its subsidiaries (together "the Group") refer to The Kandy Hotels Company (1938) PLC, Suisse Hotel (Pvt) Limited, United Hotels Company Limited, Tissa Resort (Pvt) Limited, Ceylon Hotels Maldives (Pvt) Limited and the Group's interest in equity-accounted investees. Suisse Hotel Kandy (Pvt) Limited is a joint venture for the Group.

2. Basis of preparation

The condensed interim financial statements for the quarter ended September 30, 2023, of the Company and the Group have been prepared in accordance with Sri Lanka Accounting Standard (SLAS) LKAS 34, 'Interim Financial Reporting'. These interim statements should be read in conjunction with the audited financial statements for the year ended March 31, 2023.

3. Segment information

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 and rewards that are different from those of the segment. However, there are no distinguishable components to be identified as segments for the company.

4. Accounting policies and estimates

The accounting policies are in line with the policies published in the audited financial statements for the year ended March 31, 2023.

The preparation of condensed consolidated interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing the condensed consolidated interim financial statements, the significant judgments made by the management in applying the group's accounting policies and the sources of uncertainty in estimates are consistent with the audited financial statements for the year ended March 31, 2023.

5. Effect of changes in composition of the Group

United Hotels Company Limited (UHCL) and its subsidiaries became fully owned subsidiaries of the Company during the quarter ended September 30, 2023.

- United Hotels Company Limited was a subsidiary of Ceylon Hotels Corporation PLC with 67.51% stake until July 2023.
- Financial assets at fair value through comprehensive income as of March 31, 2023, represent 16.11% stake in UHCL.
- Pursuant to the market announcements and shareholder circulars made, the Company's Board of directors recommended to its shareholders the acquisition of 83.89% of the issued share capital of UHCL, an affiliate of the Company, through a share swap.
- The shareholders approved it on May 31, 2023, and the SEC approved on July 4, 2023.
- Consequent to the approvals, the proposed allotment and share transfer took place on July 14, 2023. The new shares were listed on the CSE on July 20, 2023. The Company has issued 176,809,253 for a total consideration of Rs. 2,645,066,425/-.
- The total number of ordinary shares in issue has increased to 754,309,253 (March 31, 2023: 577,500,000). The stated capital has now been enhanced to Rs. 2,661,816,425/- (March 31, 2023: Rs. 16,750,000).
- The aforementioned restructure resulted in UHCL and its subsidiaries becoming fully owned subsidiaries of the Company.
- Merger reserve of Rs. 1.11 Billion was created to reflect the difference between the purchase consideration and net equity acquired in respect of the acquisition under common control described above.

There has not been a change in the composition of the Group which require disclosure in the financial statements, other than disclosed above.

6. Stated Capital

The number of shares representing the stated capital is 754,309,253 ordinary shares and 50,000 fully paid, cumulative preference shares as of September 30, 2023.

7. Contingent liabilities

There has not been a significant change in the nature of the contingent liabilities, which were disclosed in the audited financial statements for the year ended March 31, 2023.

8. Comparative information

Where necessary, comparative figures have been adjusted to conform with the changes in presentation in the current year.

THE KANDY HOTELS COMPANY (1938) PLC

Notes to the condensed consolidated interim financial statements

(all amounts in the notes are in Sri Lanka Rupees thousands unless otherwise stated.)

9. Related Party Transactions

The company carries out transactions in the ordinary course of its business with the following related entities, whose details are reported below:

For the 03 months ended 30 th September In LKR '000	Note	Company 2023	2022
i) Transactions with Parent Company			
Ceylon Hotels Corporation PLC			
Expenses incurred by parent on behalf of the Company	A	-	143
Interest charged by the Company on related party loans	C	-	38,824
Settlement of expenses paid by CHC on behalf of the Company	A	8,000	98
Temporary Advance	B	(14,412)	7,443
Settlement of intercompany loans	C	(1,164,836)	-
ii) Equity investment company			
Temporary advance	B	-	14,315
iii) Subsidiaries and affiliates			
Expenses incurred by affiliates on behalf of KHC	A	(265)	(4,745)
Expenses incurred by KHC on behalf of affiliates	A	31	-
Reimbursement of expenses incurred by affiliates on behalf of KHC	A	14,865	5,070
Service provided by GFH Mgt Co	A	(2,034)	(1,477)
Settlement of fees for services provided by GFH Mgt Co.	A	5,729	2,372
Management fees charged by GFG	A	-	2,618
Temporary Advance	B	(62,818)	-

Non recurrent Related Party Transactions

There are no non-recurrent related party transactions for the period ended 30th September 2023.

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 intercompany borrowings/lendings.

10. Events after the reporting period

No circumstances have arisen since the statement of financial position date that require adjustments to, or disclosure in the financial statements.

THE KANDY HOTELS COMPANY (1938) PLC

Share Information

1. Public shareholdings

Information pertaining to public shareholding is as follows:

	30 Sep 2023	30 Sep 2022
Public holding percentage	15.95%	20.83%
Public shareholding	120,290,003	120,290,003
Number of public shareholders	1,938	1,967
Float adjusted market capitalisation (Rs.)	1,106,873,398	986,404,650

The Company is not in compliance with the Minimum Public Holding requirements in relation to a Company listed on the Main Board, as per Rule 7.13.1.(a) of the Listing Rules of the Colombo Stock Exchange ('CSE'). The Company will continue to make appropriate market disclosures in this regard.

2. Directors' shareholdings

The details of shares held directly by the Directors and their close family members as at September 30, 2023 are as follows.

Name of Director	Number of shares	
	Ordinary	Preference
Mr. Sanjeev Gardiner	87,500	9,500
Mr. Charitha Ratwatte	175,000	Nil
Mr. Lakshman Samarasinghe	5,500	Nil
Mr. Ranjith Gunatilleke	43,611	Nil

None of the Directors and their close family members other than those disclosed above directly held any shares in the Company.

3. Twenty largest ordinary shareholders of the Company

Names of shareholders	Position	No of Shares	%
Ceylon Hotels Corporation PLC	1	528,661,003	70.09
Ceylon Hotels Investment (Pvt) Ltd	2	49,715,471	6.59
Seylan Bank PLC/ Hotel International (Pvt) Ltd	3	36,890,938	4.89
Adiuvat Investment Fund	4	36,582,097	4.85
Progruss Investments Limited	5	32,863,522	4.36
Hotel International (Private) Limited	6	17,906,619	2.37
Mr. N.V.S. Saackville	7	4,368,000	0.58
Mr. P.R.F. Collas	8	1,965,250	0.26
Mr. G.C. Goonetilleke	9	1,945,755	0.26
Mrs. L. Ratwatte	10	1,853,000	0.25
Mr. P.V. Gunasekera	11	1,750,000	0.23
Mrs. M.F. Gunasekera	12	1,750,000	0.23
Mrs. A.U.R. Pethiyagoda	13	1,500,000	0.20
Ms. M. Chevallaz	14	1,496,250	0.20
Mr. P. Chevallaz	15	1,496,250	0.20
Mr. A. Chevallaz	16	1,496,250	0.20
Mr. J. Laravoire	17	1,496,250	0.20
Mr. E. Laravoire	18	1,496,250	0.20
Ms. H. Sauties	19	1,496,250	0.20
Mr. J.P. Sauties	20	1,496,250	0.20
Mr. J.F.C. Badcock	21	1,034,250	0.14
Sub total		729,259,655	96.68
Balance held by others		25,049,598	3.32
Total number of shares		754,309,253	100.00

4. Market Price per share

For three months ended 30 September

	2023 (Rs.)	2022 (Rs.)
Highest Market Price	10.60	9.80
Lowest Market Price	7.00	5.20
Last Traded Price	9.20	8.20