

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 30 JUNE 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

THE KANDY HOTELS COMPANY (1938) PLC

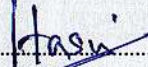
Statement of financial position

(All amounts in Sri Lanka Rupees thousands)

	Group		Company	
	30-Jun-23 (Unaudited)	31-Mar-23 (Unaudited)	30-Jun-23 (Unaudited)	31-Mar-23 (Unaudited)
ASSETS				
Non - Current Assets				
Property, plant & equipment	8,469,372	8,514,531	8,469,372	8,514,531
Intangible assets	8,202	8,358	8,202	8,358
Investment in subsidiary	-	-	176,421	176,421
Investment in joint venture	-	-	-	-
Financial assets at fair value through other comprehensive income	731,741	731,741	731,741	731,741
	9,209,315	9,254,630	9,385,736	9,431,051
Current Assets				
Inventories	42,753	36,674	42,753	36,674
Trade and other receivables	27,503	25,343	27,503	25,343
Advances and prepayments	29,565	18,338	29,565	18,338
Amounts due from related companies	1,235,336	1,246,615	1,240,929	1,252,209
Cash and cash equivalents	2,500	2,500	2,500	2,500
	1,337,657	1,329,470	1,343,250	1,335,064
TOTAL ASSETS	10,546,972	10,584,100	10,728,986	10,766,115
EQUITY AND LIABILITIES				
Equity				
Stated capital	16,750	16,750	16,750	16,750
Reserves	6,788,961	6,807,388	6,660,894	6,679,321
Retained earnings	796,994	846,501	1,107,266	1,156,734
Total Equity	7,602,705	7,670,639	7,784,910	7,852,805
Non-Current Liabilities				
Interest bearing borrowings	604,100	634,445	604,100	634,445
Employee benefit payables	4,577	5,043	4,577	5,043
Deferred tax liability	1,881,078	1,881,078	1,881,078	1,881,078
	2,489,755	2,520,566	2,489,755	2,520,566
Current Liabilities				
Trade and other payables	97,244	97,815	97,110	97,720
Contract liabilities	9,480	5,718	9,480	5,718
Interest bearing borrowings	145,940	145,940	145,940	145,940
Amounts due to related companies	72,730	8,466	72,730	8,466
Income tax payable	19,228	19,228	19,228	19,228
Bank overdrafts	109,890	115,728	109,833	115,672
	454,512	392,895	454,321	392,744
TOTAL EQUITY AND LIABILITIES	10,546,972	10,584,100	10,728,986	10,766,115
Net Assets per Share (Rs.)	13.2	13.28	13.48	13.60

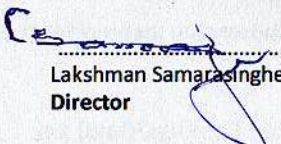
The notes on pages 6 to 8 form an integral part of these financial statements.

I certify that these financial statements have been prepared in compliance with the requirements of the Companies Act, No. 07 of 2007.


 Hasuni Gayasha
 Financial Controller

The Board of Directors is responsible for the preparation and presentation of these financial statements.
 Approved and signed for and on behalf of the Board of Directors.


 Sanjeev Gardiner
 Chairman


 Lakshman Samarasinghe
 Director

August 14, 2023

THE KANDY HOTELS COMPANY (1938) PLC

Statement of comprehensive income

(All amounts in Sri Lanka Rupees thousands)

	Group		Company		Variance
	Three Months Ended 30 th June		Three Months Ended 30 th June		Group
	2023 (Unaudited)	2022 (Unaudited)	2023 (Unaudited)	2022 (Unaudited)	%
Revenue	85,577	61,306	85,577	61,306	40%
Less: Cost of sales	(33,939)	(23,279)	(33,939)	(23,279)	46%
Gross profit	51,638	38,027	51,638	38,027	36%
Other operating income	349	-	349	-	
Less: Operating expenses					
Selling and distribution expenses	(5,420)	(2,839)	(5,420)	(2,839)	91%
Administrative expenses	(82,862)	(59,183)	(82,823)	(59,107)	40%
Profit/(loss) from operations	(36,295)	(23,995)	(36,256)	(23,919)	51%
Finance income	2	27,239	2	27,239	-100%
Less: Finance costs	(31,346)	(24,731)	(31,346)	(24,731)	27%
Net foreign exchange gain/(losses)	(276)	-	(276)	-	
Net finance income/(cost)	(31,620)	2,508	(31,620)	2,508	-1361%
Share of loss of equity accounted investees, net of tax	-	-	-	-	
Profit/(loss) before income tax	(67,915)	(21,487)	(67,876)	(21,411)	216%
Less: Income tax expenses	-	(6,536)	-	(6,536)	-100%
Profit/(loss) for the period	(67,915)	(28,023)	(67,876)	(27,947)	142%
Other comprehensive income					
Other comprehensive income for the period, net of tax	-	-	-	-	
Total comprehensive income for the period, net of tax	(67,915)	(28,023)	(67,876)	(27,947)	142%
Profit/(loss) for the period attributable to:					
Equity Holders of the Company	(67,915)	(28,023)	(67,876)	(27,947)	142%
Non Controlling Interest	-	-	-	-	0%
	(67,915)	(28,023)	(67,876)	(27,947)	142%
Total comprehensive income attributable to:					
Equity holders of the Company	(67,915)	(28,023)	(67,876)	(27,947)	142%
Non controlling interest	-	-	-	-	
Total comprehensive income for the period	(67,915)	(28,023)	(67,876)	(27,947)	142%
Basic/ Diluted Earnings/(loss) per share (Rs.)	(0.12)	(0.05)	(0.12)	(0.05)	

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	Retained Earnings	Total Equity
Balance at 1 April 2022	16,750	-	7,834,303	818,040	8,669,094
Profit / (loss) for the year	-	-	-	(45,152)	(45,152)
Other comprehensive income	-	92,219	(1,045,428)	-	(953,209)
Total comprehensive income for the year	-	92,219	(1,045,428)	(45,152)	(998,361)
Transfer of excess depreciation on revaluation	-	-	(73,707)	73,707	-
Dividends-(15% Cumulative preference shares)	-	-	-	(94)	(94)
Balance at 31 March 2023	16,750	92,219	6,715,168	846,501	7,670,639
Profit / (loss) for the period	-	-	-	(67,915)	(67,915)
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	-	-	(67,915)	(67,915)
Transfer of excess depreciation on revaluation	-	-	(18,427)	18,427	-
Dividends-(15% Cumulative preference shares)	-	-	-	(19)	(19)
Balance at 30 June 2023	16,750	92,219	6,696,742	796,994	7,602,705

	Stated Capital	FVOCI Reserve	Revaluation Reserves	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	-	-	-	(28,023)	(28,023)
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	-	-	(28,023)	(28,023)
Transfer of excess depreciation on revaluation	-	-	(21,821)	21,821	-
Dividends-(15% Cumulative preference shares)	-	-	-	(9)	(9)
Balance at 30 June 2022	16,750	-	7,812,482	811,829	8,641,061

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	-	-	-	(40,064)	(40,064)
Other comprehensive income	-	92,219	(1,045,427)	-	(953,208)
Total comprehensive income for the year	-	92,219	(1,045,427)	(40,064)	(993,272)
Transfer of excess depreciation on revaluation	-	-	(73,707)	73,707	-
Dividends-(15% Cumulative preference shares)	-	-	-	(94)	(94)
Balance at 31 March 2023	16,750	92,219	6,587,102	1,156,734	7,852,805
Profit / (loss) for the period	-	-	-	(67,876)	(67,876)
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	-	-	(67,876)	(67,876)
Transfer of excess depreciation on revaluation	-	-	(18,427)	18,427	-
Dividends-(15% Cumulative preference shares)	-	-	-	(19)	(19)
Balance at 30 June 2023	16,750	92,219	6,568,675	1,107,266	7,784,910

	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	-	-	-	(27,947)	(27,947)
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	-	-	(27,947)	(27,947)
Transfer of excess depreciation on revaluation	-	-	(21,821)	21,821	-
Dividends-(15% Cumulative preference shares)	-	-	-	(9)	(9)
Balance at 30 June 2023	16,750	-	7,684,415	1,117,050	8,818,215

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 three months ending June 30,

	Group		Company	
	2023 (Unaudited)	2022 (Unaudited)	2023 (Unaudited)	2022 (Unaudited)
Profit/(loss) before income tax from operations	(67,915)	(21,486)	(67,876)	(21,411)
Adjustments for:				
Depreciation of property, plant and equipment	17,923	17,293	17,923	17,293
Amortization of intangible assets	156	1,167	156	1,167
Provision for retirement benefit plans - gratuity	681	361	681	361
Finance income	(3)	(27,239)	(3)	(27,239)
Finance expenses	31,347	24,731	31,347	24,731
Operating profit/ (loss) before working capital changes	(17,811)	(5,173)	(17,772)	(5,098)
(Increase)/decrease in inventories	(6,078)	(2,090)	(6,078)	(2,090)
(Increase)/decrease in trade and other receivables	(2,161)	2,047	(2,161)	2,047
(Increase)/decrease in amounts due from related parties	11,279	(4,870)	11,279	(4,870)
(Increase)/decrease in advances and prepayments	(11,227)	-	(11,227)	-
Increase/(decrease) in trade and other payables	3,190	9,491	3,152	9,470
Increase/(decrease) in amounts due to related parties	64,265	(1,361)	64,265	(1,361)
Cash generated from/ (used in) operations	41,457	(1,956)	41,458	(1,902)
Income taxes paid	-	-	-	-
Interest paid	(31,347)	(99)	(31,347)	(99)
Retirement benefit obligation paid	(1,148)	(195)	(1,148)	(195)
Net cash generated from/(used in) operating activities	8,962	(2,250)	8,963	(2,196)
Cash flows from investing activities				
Purchase/(disposal) of property, plant and equipment	27,237	(1,714)	27,237	(1,714)
Interest income received	3	-	3	-
Net change in interest bearing loans due from related parties	-	(6,419)	-	(6,419)
Net cash generated from/(used in) investing activities	27,240	(8,133)	27,240	(8,133)
Cash flows from financing activities				
Settlement of interest-bearing borrowings	(30,345)	-	(30,345)	-
Preference dividend paid	(19)	-	(19)	-
Net cash flow from /(used in) financing activities	(30,364)	-	(30,364)	-
Net increase/(decrease) in cash & cash equivalents	5,838	(10,383)	5,839	(10,329)
Movement in cash & cash equivalents				
At the beginning of the year	(113,228)	(10,383)	(113,172)	13,246
Net increase/ (decrease) in cash & cash equivalents	5,838	13,055	5,839	(10,329)
At the end of the year	(107,390)	2,672	(107,333)	2,917
Cash and cash equivalents at the end of the financial year consist of the following.				
Cash in hand and banks	2,500	2,672	2,500	2,917
Bank overdrafts	(109,890)	-	(109,833)	-
	(107,390)	2,672	(107,333)	2,917

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 and Suisse Hotels (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 June 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, 2022.

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, 2022.

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, 2022.

5. Stated Capital

The number of shares representing the stated capital is 577,500,000 ordinary shares and 50,000 fully paid, cumulative preference shares as of June 30, 2023.

6. 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, 2022.

7. 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.)

8. 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 June 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	-	(132)
Interest charged by the Company on related party loans	C	-	27,235
Settlement of Temporary advances by CHC	B	-	255
Temporary Advance	B	(32,200)	6,423
ii) Equity investment company			
Expenses incurred on behalf of the company	A	-	(175)
Reimbursement of expenses	A	-	264
iii) Affiliate			
Expenses incurred by affiliates on behalf of KHC	A	(23,182)	-
Reimbursement of expenses incurred by affiliates on behalf of KHC	A	9,392	10,977
Service provided by GFH Mgt Co	A	(2,631)	(6,053)
Temporary Advance	B	(33,600)	-

Non recurrent Related Party Transactions

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

9. 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, other than the item mentioned below.

United Hotels Company (Pvt) Limited and its subsidiaries become fully owned subsidiaries of the Company.

- Financial assets at fair value through comprehensive income as of March 31, 2023, represent 16.11% stake in United Hotels Company (Pvt) Limited.
- The Company's Board of directors recommended to its shareholders the acquisition of 83.39% of the issued share capital of UHC, an affiliate of the Company, through a share swap. The aforesaid was subject to the approval of the Company's shareholders at the Extra Ordinary General Meeting, as well as the approval by the Securities Exchange Commission (SEC).
- 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 UHC and its subsidiaries becoming fully owned subsidiaries of the Company.

THE KANDY HOTELS COMPANY (1938) PLC

Share Information

1. Public shareholdings

Information pertaining to public shareholding is as follows:

	<u>30 Jun 2023</u>	<u>30 Jun 2022</u>
Public holding percentage	20.83%	20.83%
Public shareholding	120,290,003	120,290,003
Number of public shareholders	1,960	1,935
Float adjusted market capitalisation (Rs.)	842,052,750	673,642,200

As the float-adjusted market capitalization is less than Rs. 2.5 billion, The Kandy Hotels Company (1938) PLC complies under option 5 of the listing rules 7.14.1 (a) with the minimum public holding.

2. Directors' shareholdings

The details of shares held directly by the Directors and their close family members as at June 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 Gunathilleke	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	401,567,250	69.54
Seylan Bank PLC/ Hotel International (Pvt) Ltd	2	36,890,938	6.39
Adiuvat Investment Fund	3	36,582,097	6.33
Progruss Investments Limited	4	32,863,522	5.69
Hotel International (Private) Limited	5	17,906,619	3.10
Mr. N.V.S. Saackville	6	4,368,000	0.76
Mr. P.R.F. Collas	7	1,965,250	0.34
Mr. G.C. Goonetilleke	8	1,945,755	0.34
Mrs. L. Ratwatte	9	1,853,000	0.32
Mr. P.V. Gunasekera	10	1,750,000	0.30
Mrs. M.F. Gunasekera	11	1,750,000	0.30
Mrs. A.U.R. Pethiyagoda	12	1,500,000	0.26
Mr. J. Laravoire	13	1,496,250	0.26
Mr. E. Laravoire	14	1,496,250	0.26
Ms. M. Chevallaz	15	1,496,250	0.26
Mr. P. Chevallaz	16	1,496,250	0.26
Mr. A. Chevallaz	17	1,496,250	0.26
Ms. H. Sauties	18	1,496,250	0.26
Mr. J.P. Sauties	19	1,496,250	0.26
Mr. J.F.C. Badcock	20	1,034,250	0.18
Mr. F.D.M. Badcock	21	1,034,250	0.18
Sub total		553,484,681	95.84
Balance held by others		24,015,319	4.16
Total number of shares		577,500,000	100.00

4. Market Price per share

For three months ended 30 June

	<u>2023</u>	<u>2022</u>
	(Rs.)	(Rs.)
Highest Market Price	8.00	7.50
Lowest Market Price	6.70	5.10
Last Traded Price	7.00	5.60