CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 30 JUNE 2026

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 incorporated in Sri Lanka in 1924

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
Priyantha Maddumage
Nilanga Dela
Shalike Karunasena
Asela Indrajith Fernando - Independent Non Executive Director
Nirmal De Soysa Cooke - Senior Independent Director

Registered Office
No.327, Union Place, Colombo 02.
Tel :- 011-7657900, 011 2421847
Email : Corporateoffice@ceylonhotels.net
Corporate website: www.chcplc.com

Secretaries

Deloitte Corporate Services (Private) Limited
No 100, Braybrooke Place, Colombo 02.
Tel:- 011-7719700

External Auditors
Messrs. Ernst & Young, Chartered Accountants
No.839/2, Peradeniya Road, Kandy.
Tel:- 011-5426426

Hotel Reservations
The Kandy Hotels Company (1938) PLC
No. 327, Union Place, Colombo 02.
Tel: 011 7765555
Email : reservations.queens@kandyhotels.lk, reservations.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-26 (Unaudited)	31-Mar-26 (Unaudited)	30-Jun-26 (Unaudited)	31-Mar-26 (Unaudited)
ASSETS				
Non - Current Assets				
Property, plant & equipment	12,170,478	12,192,447	10,092,043	10,107,783
Intangible assets	2,542	2,780	269	319
Right-of-Use Assets	96,640	97,939	-	-
Long term advance to related companies	-	-	323,000	323,000
Investment in subsidiary	-	-	4,718,064	4,718,064
Investment in joint venture	496,236	534,885	-	-
Investment in fixed deposits	987,007	955,352	-	-
	13,752,903	**13,783,403**	**15,133,376**	**15,149,166**
Current Assets				
Inventories	149,455	147,122	83,414	81,987
Trade and other receivables	264,658	339,115	124,569	141,453
Amounts due from related companies	56,664	42,751	15,824	15,807
Income tax recoverable	1,937	1,937	-	-
Cash and cash equivalents	378,305	402,671	42,431	69,885
	851,019	**933,596**	**266,238**	**309,132**
TOTAL ASSETS	**14,603,922**	**14,716,999**	**15,399,614**	**15,458,298**
EQUITY AND LIABILITIES				
Equity				
Stated capital	2,661,816	2,661,816	2,661,816	2,661,816
Other capital reserves	7,178,374	7,216,233	6,960,033	6,995,008
Merger reserve	(1,116,644)	(1,116,644)	-	-
Retained earnings	1,481,052	1,511,921	1,317,181	1,350,142
Total Equity	**10,204,598**	**10,273,326**	**10,939,030**	**11,006,966**
Non-Current Liabilities				
Interest-bearing loans and borrowings	844,740	808,309	475,249	479,315
Employee benefit obligations	23,106	20,748	8,708	7,175
Lease liabilities	101,018	102,343	-	-
Deferred tax liabilities	2,341,391	2,350,459	2,075,884	2,092,403
	3,310,255	**3,281,859**	**2,559,841**	**2,578,893**
Current Liabilities				
Trade and other payables	441,854	501,507	174,398	228,363
Contract liabilities	20,989	10,636	20,989	10,636
Interest-bearing loans and borrowings	172,237	220,407	49,310	47,875
Lease liabilities	18,781	18,073	-	-
Amounts due to related companies	69,670	108,302	1,496,228	1,431,684
Income tax liabilities	88,163	63,559	-	-
Bank overdrafts	277,375	239,330	159,818	153,881
	1,089,069	**1,161,814**	**1,900,743**	**1,872,439**
TOTAL EQUITY AND LIABILITIES	**14,603,922**	**14,716,999**	**15,399,614**	**15,458,298**
Net Assets per Share (Rs.)	**13.53**	**13.62**	**14.50**	**14.59**

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.

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Kowshika Vijithan
Finance Manager

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

....

Shalike Karunasena
Director

August 14, 2026

THE KANDY HOTELS COMPANY (1938) PLC

Statement of comprehensive income

(All amounts in Sri Lanka Rupees thousands)

	Group		Company		Variance - YTD
	Three Months Ended 30th June		Three Months Ended 30th June		Group
	2026 (Unaudited)	2025 (Unaudited)	2026 (Unaudited)	2025 (Unaudited)	%
Revenue	398,789	309,021	163,688	123,527	29%
Less: Cost of sales	(103,495)	(94,337)	(42,504)	(46,053)	10%
Gross profit	**295,294**	**214,684**	**121,184**	**77,474**	38%
Other operating income	1,335	735	179	734	82%
Less: Operating expenses					
Selling and distribution expenses	(47,801)	(22,114)	(15,997)	(8,892)	116%
Administrative expenses	(295,836)	(268,957)	(134,486)	(127,961)	10%
Other operating expenses	-	1,140	-	-	100%
Profit/(loss) from operations	**(47,008)**	**(74,512)**	**(29,120)**	**(58,645)**	-37%
Finance income	55,990	38,265	297	177	46%
Less: Finance costs	(64,456)	(58,085)	(56,392)	(42,222)	11%
Net foreign exchange gain	40,941	9,318	770	(0)	339%
Net finance income/(cost)	**32,475**	**(10,502)**	**(55,325)**	**(42,045)**	-409%
Share of loss of equity accounted investees, net of tax	(38,649)	(300)	-	-	12783%
Loss before income tax	**(53,182)**	**(85,314)**	**(84,445)**	**(100,689)**	-38%
Less: Income tax reversal	(15,537)	28,838	16,519	32,311	-154%
Loss for the period	**(68,719)**	**(56,476)**	**(67,926)**	**(68,379)**	22%
Other comprehensive income					
Other comprehensive income for the period, net of tax	-	-	-	-	
Total comprehensive income for the period, net of tax	**(68,719)**	**(56,476)**	**(67,926)**	**(68,379)**	22%
Profit/(loss) for the period attributable to:					
Equity Holders of the Company	(68,719)	(56,476)	(67,926)	(68,379)	
Non Controlling Interest	-	-	-	-	
	(68,719)	**(56,476)**	**(67,926)**	**(68,379)**	
Total comprehensive income attributable to:					
Equity holders of the Company	(68,719)	(56,476)	(67,926)	(68,379)	
Non controlling interest	-	-	-	-	
Total comprehensive income for the period	**(68,719)**	**(56,476)**	**(67,926)**	**(68,379)**	
Basic/ Diluted loss per share (Rs.)	**(0.09)**	**(0.07)**	**(0.09)**	**(0.09)**	

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	Revaluation Reserves	Merger Reserve	Retained Earnings	Total Equity
Balance at 1 April 2025	**2,661,816**	**7,370,761**	**(1,116,643)**	**1,147,474**	**10,063,408**
Issue of Ordinary Shares	-	-	-	-	-
Acquisition under common control (Note 5)	-	-	-	-	-
Profit / (loss) for the year	-	-	-	210,144	210,144
Other comprehensive income	-	-	-	656	656
Total comprehensive income for the year	**-**	**-**	**-**	**210,800**	**210,800**
Transfer of excess depreciation on revaluation	-	(154,528)	-	154,528	-
Share of other comprehensive income attributable to joint venture	-	-	-	-	-
Dividends-(15% Cumulative preference shares)	-	-	-	(882)	(882)
Balance at 31 March 2026	**2,661,816**	**7,216,233**	**(1,116,644)**	**1,511,921**	**10,273,326**
Profit / (loss) for the period	-	-	-	(68,719)	(68,719)
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	**-**	**-**	**-**	**(68,719)**	**(68,719)**
Transfer of excess depreciation on revaluation	-	(37,859)	-	37,859	-
Dividends-(15% Cumulative preference shares)	-	-	-	(9)	(9)
Balance at 30 June 2026	**2,661,816**	**7,178,374**	**(1,116,644)**	**1,481,052**	**10,204,598**

	Stated Capital	Revaluation Reserves	Merger Reserve	Retained Earnings	Total Equity
Balance at 1 April 2024	**2,661,816**	**6,589,826**	**(1,116,643)**	**948,469**	**9,083,468**
Profit / (loss) for the year	-	-	-	111,886	111,886
Other comprehensive income	-	733,488	-	(1,643)	731,845
Total comprehensive income for the year	**-**	**733,488**	**-**	**110,243**	**843,731**
Transfer of excess depreciation on revaluation	-	(88,800)	-	88,800	-
Share of other comprehensive income attributable to joint venture	-	136,247	-	-	136,247
Dividends-(15% Cumulative preference shares)	-	-	-	(38)	(38)
Balance at 31 March 2025	**2,661,816**	**7,370,761**	**(1,116,643)**	**1,147,474**	**10,063,408**
Issue of Ordinary Shares	-	-	-	-	-
Acquisition under common control (Note 5)	-	-	-	-	-
Profit / (loss) for the period	-	-	-	(56,476)	(56,476)
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	**-**	**-**	**-**	**(56,476)**	**(56,476)**
Transfer of excess depreciation on revaluation	-	(48,271)	-	48,271	-
Dividends-(15% Cumulative preference shares)	-	-	-	(9)	(9)
Balance at 30 June 2025	**2,661,816**	**7,322,490**	**(2,233,286)**	**1,139,260**	**10,006,922**

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 2025	**2,661,816**	**-**	**7,137,763**	**1,306,516**	**11,106,095**
Profit / (loss) for the year	-	-	-	(97,801)	(97,801)
Other comprehensive income	-	-	-	(447)	(447)
Total comprehensive income for the year	**-**	**-**	**-**	**(98,248)**	**(98,248)**
Transfer of excess depreciation on revaluation	-	-	(142,755)	142,755	-
Dividends-(15% Cumulative preference shares)	-	-	-	(882)	(882)
Balance at 31 March 2026	**2,661,816**	**-**	**6,995,008**	**1,350,142**	**11,006,966**
Profit / (loss) for the period	-	-	-	(67,926)	(67,926)
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	**-**	**-**	**-**	**(67,926)**	**(67,926)**
Transfer of excess depreciation on revaluation	-	-	(34,975)	34,975	-
Dividends-(15% Cumulative preference shares)	-	-	-	(9)	(9)
Balance at 30 June 2026	**2,661,816**	**-**	**6,960,033**	**1,317,181**	**10,939,030**

	Stated Capital	FVOCI Reserve	Revaluation Reserves	Retained Earnings	Total Equity
Balance at 1 April 2024	**2,661,816**	**-**	**6,477,982**	**1,323,118**	**10,462,917**
Profit / (loss) for the year	-	-	-	(89,934)	(89,934)
Other comprehensive income	-	-	733,488	(338)	733,150
Total comprehensive income for the year	**-**	**-**	**733,488**	**(90,272)**	**643,216**
Transfer of excess depreciation on revaluation	-	-	(73,707)	73,707	-
Dividends-(15% Cumulative preference shares)	-	-	-	(38)	(38)
Balance at 31 March 2025	**2,661,816**	**-**	**7,137,763**	**1,306,516**	**11,106,094**
Profit / (loss) for the period	-	-	-	(68,379)	(68,379)
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	**-**	**-**	**-**	**(68,379)**	**(68,379)**
Transfer of excess depreciation on revaluation	-	-	(44,592)	44,592	-
Dividends-(15% Cumulative preference shares)	-	-	-	(9)	(9)
Balance at 30 June 2025	**2,661,816**	**-**	**7,093,171**	**1,282,720**	**11,037,706**

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)

	Group		Company	
For the three months ended June 30,	**2026 (Unaudited)**	**2025 (Unaudited)**	**2026 (Unaudited)**	**2025 (Unaudited)**
Profit/(loss) before income tax from operations	**(53,182)**	**(85,314)**	**(84,445)**	**(100,689)**
Adjustments for:				
Depreciation of property, plant and equipment	37,806	40,823	20,647	22,011
Amortization of intangible assets	238	227	50	84
Amortization of Right-Of- Use assets	1,299	1,299	-	-
Provision for employee benefit obligation	2,358	1,373	1,533	554
Finance income	(55,990)	(38,265)	(297)	(177)
Finance expenses	64,456	58,085	56,392	16,128
Net foreign exchange (gain)/ losses	(32,641)	24,492	(770)	-
Share of results of joint venture	38,649	300	-	-
Operating profit/ (loss) before working capital changes	2,993	3,020	(6,890)	(62,090)
(Increase)/decrease in inventories	(2,333)	(7,454)	(1,428)	(4,596)
(Increase)/decrease in trade and other receivables	74,459	141,681	17,652	54,404
(Increase)/decrease in amounts due from related parties	(13,913)	(3,072)	260	0
Increase/(decrease) in trade and other payables	(59,665)	(114,052)	(53,973)	(86,978)
Increase/(decrease) in contract liabilities	10,353	8,747	10,353	8,747
Increase/(decrease) in amounts due to related parties	(40,233)	(9,903)	26,936	112,892
Cash generated from/ (used in) operations	**(28,339)**	**18,967**	**(7,090)**	**22,380**
Income taxes paid	-	-	-	-
Interest paid	(55,391)	(63,468)	(11,592)	(5,447)
Employee benefit obligations paid	-	(862)	-	(644)
Net cash generated from/(used in) operating activities	**(83,730)**	**(45,362)**	**(18,682)**	**16,289**
Cash flows from investing activities				
Purchase/(disposal) of property, plant and equipment	(15,837)	(13,933)	(4,906)	(3,642)
Purchase/(disposal) of intangible assets	-	-	-	-
Interest income received	90,514	38,265	21	1
Net cash generated from/(used in) investing activities	**74,677**	**24,331**	**(4,885)**	**(3,641)**
Cash flows from financing activities				
Loan Repayment during the period	(47,876)	(88,369)	(9,824)	(81,472)
Payment of lease liabilities	(5,483)	(3,734)	-	-
Net cash flow from /(used in) financing activities	**(53,359)**	**(92,103)**	**(9,824)**	**(81,472)**
Net increase/(decrease) in cash & cash equivalents	**(62,412)**	(113,135)	**(33,391)**	(68,824)
Movement in cash & cash equivalents				
At the beginning of the year	**163,342**	**(19,322)**	**(83,996)**	**(194,085)**
Net increase/ (decrease) in cash & cash equivalents	(62,412)	(113,135)	(33,391)	(68,824)
At the end of the year	**100,930**	**(132,457)**	**(117,387)**	**(262,909)**
Cash and cash equivalents at the end of the financial year consist of the following.				
Cash in hand and banks	378,305	281,872	42,431	4,184
Bank overdrafts	(277,375)	(414,329)	(159,818)	(267,093)
	100,930	**(132,457)**	**(117,387)**	**(262,909)**

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 No. 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 June 30, 2026, 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, 2025.

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, 2025.

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, 2025.

5. Effect of changes in composition of the Group

There has not been a change in the composition of the Group which require disclosure in the financial statements for the quarter ended June 30, 2026.

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 June 30, 2026.

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, 2025.

8. Comparative information

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

9. Investment in fixed Deposits

Fixed deposits previously presented under Cash and Bank Balances have been reclassified under Non-current Assets to reflect their nature and maturity more appropriately. The corresponding comparative figures have also been reclassified to ensure consistency of presentation. This reclassification has no impact on the reported profit or total assets of the Company.

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.)

10. 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 30th June **In LKR '000**	**Note**	**Company** **2026**	 **2025**
i) Transactions with Parent Company			
Ceylon Hotels Corporation PLC			
Net Temporary Advance	B	7,000	(15,500)
Expenses paid by CHC on behalf of the Company	A	179	75
Interest charged to CHC for the advances obtained by KHC	B	(1,601)	-
Settlement of expenses paid to CHC	A	-	(150)
ii) Subsidiaries and affiliates			
Expenses incurred by affiliates on behalf of KHC	A	(107)	-
Expenses incurred by KHC on behalf of affiliates	A	15	-
Reimbursement of expenses incurred by affiliates on behalf of KHC	A	509	-
Service provided by GFH Mgt Co. (Pvt) Limited	A	8,128	(4,125)
Settlement of fees for services provided by GFH Mgt Co. (Pvt) Limited	A	(674)	-
Service provided by Galle Face Group (Pvt) Limited	A	(13,822)	-
Settlement of fees for services provided by Galle Face Group (Pvt) Limited	A	8,827	-
Temporary Advance	B	(36,975)	(79,050)
Interest charged for the advances provided by KHC	B	276	177
Interest charged to affiliates for the advances obtained by	B	(36,007)	(26,093)

Non recurrent Related Party Transactions

There are no non-recurrent related party transactions for the period ended 30th June 2026.

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.

Company	**Party**	**Repayment**
The Kandy Hotels Company (1938) PLC	Borrower	AWPLR + 1.5%
United Hotels Company Limited	Lender	

11. 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 June 2026	30 June 2025
Public holding percentage	23.54%	15.98%
Public shareholding	177,562,943	120,513,114
Number of public shareholders	2,874	2,007
Float adjusted market capitalisation (Rs.)	2,503,658,014	1,446,463,424

As the float-adjusted market capitalization is more than Rs. 2.5 billion, The Kandy Hotels Company (1938) PLC complies under option 4 of the listing rules 7.14.1 (a) with the minimum public holding of 20% and minimum 500 public Shareholders.

2. Directors' shareholdings

The details of shares held directly by the Directors and their close family members as at June 30, 2026 are as follows.

Name of Director	Number of shares	
	Ordinary	Preference
Mr. Sanjeev Gardiner	175,000	9,500

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

3. Twenty two largest ordinary shareholders of the Company

	Names of shareholders	Position	No of Shares	%
1	Ceylon Hotels Corporation PLC	1	528,661,003	70.09
2	Seylan Bank PLC / Ambeon Holdings PLC (Margin Trading)	2	45,904,622	6.09
3	Seylan Bank PLC / Ceylon Hotels Investment (Pvt) Ltd	3	44,715,471	5.93
4	Adiuvat Investment Fund	4	36,582,097	4.85
5	Progruss Investments Limited	5	32,863,522	4.36
6	Mr. N.V.S. Saackville	6	4,368,000	0.58
7	DFCC Bank PLC / ATX Partners (Pvt) Ltd	7	2,416,597	0.32
8	Seylan Bank PLC / Gladstone Capital (Private) Limited	8	2,000,000	0.27
9	Mr. P.R.F. Collas	9	1,965,250	0.26
10	Mr. G.C. Goonetilleke	10	1,945,755	0.26
11	Mrs. L. Ratwatte	11	1,853,000	0.25
12	Mr. P.V. Gunasekera	12	1,750,000	0.23
13	Mrs. M.F. Gunasekera	12	1,750,000	0.23
14	Seylan Bank PLC / Arcasia Investments & Trading (Pvt) Ltd	13	1,723,843	0.23
15	Mrs. A.U.R. Pethiyagoda	14	1,500,000	0.20
16	Ms. M. Chevallaz	15	1,496,250	0.20
17	Mr. P. Chevallaz	15	1,496,250	0.20
18	Mr. A. Chevallaz	15	1,496,250	0.20
19	Mr. J. Laravoire	15	1,496,250	0.20
20	Mr. E. Laravoire	15	1,496,250	0.20
21	Ms. H. Sauties	15	1,496,250	0.20
22	Mr. J.P. Sauties	15	1,496,250	0.20
	Sub total		**720,472,910**	**95.51**
	Balance held by others		33,836,343	4.49
	Total number of shares		**754,309,253**	**100.00**

4. Market Price per share

For three months ended 30 June

	2026 (Rs.)	2025 (Rs.)
Highest Market Price	**17.50**	13.00
Lowest Market Price	**13.90**	10.00
Last Traded Price	**14.10**	12.00