

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 30 JUNE 2024**

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 - Senior Independent Director
Priyantha Maddumage
Ranjith Gunatilleke
Nahil Wijesuriya
Chandra Mohotti
Nilanga Dela
Shalike Karunasena (appointed w.e.f. 2nd August 2024)

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 (formerly known as 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.
Tel:- 011-5426426

Hotel Reservations

The Kandy Hotels Company (1938) 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

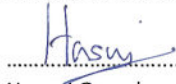
Statement of financial position

(All amounts in Sri Lanka Rupees thousands)

	Group		Company	
	30-Jun-24 (Unaudited)	31-Mar-24 (Unaudited)	30-Jun-24 (Unaudited)	31-Mar-24 (Unaudited)
ASSETS				
Non - Current Assets				
Property, plant & equipment	10,577,105	10,593,519	8,456,674	8,462,051
Intangible assets	1,881	2,040	638	725
Right-of-Use Assets	107,034	108,333	-	-
Investment in subsidiary	-	-	4,718,064	4,718,064
Investment in joint venture	236,640	236,640	-	-
	10,922,661	10,940,532	13,175,377	13,180,840
Current Assets				
Inventories	93,784	101,975	42,213	48,917
Trade and other receivables	248,125	357,723	48,284	78,969
Advances and prepayments	11,718	26,442	11,718	15,449
Amounts due from related companies	120,879	61,823	108,900	39,184
Cash and cash equivalents	1,744,409	1,887,318	9,977	3,350
	2,218,915	2,435,281	221,092	185,869
TOTAL ASSETS	13,141,576	13,375,813	13,396,469	13,366,709
EQUITY AND LIABILITIES				
Equity				
Stated capital	2,661,816	2,661,816	2,661,816	2,661,816
Other capital reserves	5,651,886	5,674,160	6,459,556	6,477,983
Retained earnings	789,528	838,712	1,298,244	1,323,080
Total Equity	9,103,230	9,174,688	10,419,616	10,462,879
Non-Current Liabilities				
Interest-bearing loans and borrowings	1,016,419	1,043,121	403,401	447,232
Employee benefit payables	15,803	15,739	5,039	4,687
Deferred tax liabilities	2,050,849	2,083,803	1,840,130	1,847,510
Lease liability	112,114	107,994	-	-
	3,195,185	3,250,657	2,248,570	2,299,429
Current Liabilities				
Trade and other payables	283,042	337,970	97,916	112,070
Contract liabilities	14,026	7,248	14,026	7,251
Interest-bearing loans and borrowings	275,999	321,824	186,420	201,662
Lease liability	16,372	19,208	-	-
Amounts due to related companies	44,889	44,227	341,374	148,767
Income tax liabilities	4,011	4,011	-	-
Bank overdrafts	204,822	215,980	88,547	134,651
	843,161	950,468	728,282	604,401
TOTAL EQUITY AND LIABILITIES	13,141,576	13,375,813	13,396,469	13,366,709
Net Assets per Share (Rs.)	12.07	12.16	13.81	13.87

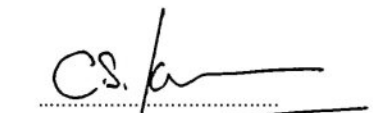
The notes on pages 6 to 8 form an integral part of these financial statements.

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


 Shalike Kapunaseena
 Director

August 14, 2024

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 June		Three Months Ended 30 th June		Group
	2024 (Unaudited)	2023 (Unaudited)	2024 (Unaudited)	2023 (Unaudited)	%
Revenue	223,555	85,577	95,728	85,577	161%
Less: Cost of sales	(69,583)	(33,939)	(36,165)	(33,939)	105%
Gross profit	153,972	51,638	59,563	51,638	198%
Other operating income	988	349	132	349	183%
Less: Operating expenses					
Selling and distribution expenses	(18,082)	(5,420)	(6,569)	(5,420)	234%
Administrative expenses	(242,375)	(82,862)	(86,213)	(82,823)	193%
Profit/(loss) from operations	(105,497)	(36,295)	(33,087)	(36,256)	191%
Finance income	42,410	2	181	2	-
Less: Finance costs	(48,622)	(31,346)	(18,227)	(31,346)	55%
Net foreign exchange gain/(losses)	6,889	(276)	80	(276)	-2596%
Net finance income/(cost)	677	(31,620)	(17,965)	(31,620)	-102%
Share of loss of equity accounted investees, net of tax	-	-	-	-	
Profit/(loss) before income tax	(104,820)	(67,915)	(51,052)	(67,876)	54%
Less: Income tax expenses	33,381	-	7,808	-	
Profit/(loss) for the period	(71,439)	(67,915)	(43,244)	(67,876)	5%
Other comprehensive income					
Other comprehensive income for the period, net of tax	-	-	-	-	
Total comprehensive income for the period, net of tax	(71,439)	(67,915)	(43,244)	(67,876)	5%
Profit/(loss) for the period attributable to:					
Equity Holders of the Company	(71,439)	(67,915)	(43,244)	(67,876)	5%
Non Controlling Interest	-	-	-	-	
	(71,439)	(67,915)	(43,244)	(67,876)	5%
Total comprehensive income attributable to:					
Equity holders of the Company	(71,439)	(67,915)	(43,244)	(67,876)	5%
Non controlling interest	-	-	-	-	
Total comprehensive income for the period	(71,439)	(67,915)	(43,244)	(67,876)	5%
Basic/ Diluted Earnings/(loss) per share (Rs.)	(0.09)	(0.12)	(0.06)	(0.12)	-21%

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 2023	16,750	131,741	6,998,267	-	871,265	8,018,024
Issue of Ordinary Shares	2,645,066	-	-	-	-	2,645,066
Acquisition under common control (Note 5)	-	(131,741)	-	(1,116,643)	-	(1,248,384)
Profit / (loss) for the year	-	-	-	-	(119,856)	(119,856)
Other comprehensive income	-	-	(7,626)	-	(1,809)	(9,435)
Total comprehensive income for the year	-	-	(7,626)	-	(121,665)	(129,291)
Transfer of excess depreciation on revaluation	-	-	(89,187)	-	89,187	-
Share of other comprehensive income attributable to joint venture	-	-	(110,651)	-	-	(110,651)
Dividends-(15% Cumulative preference shares)	-	-	-	-	(75)	(75)
Balance at 31 March 2024	2,661,816	-	6,790,803	(1,116,643)	838,712	9,174,688
Profit / (loss) for the period	-	-	-	-	(71,439)	(71,439)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	(71,439)	(71,439)
Transfer of excess depreciation on revaluation	-	-	(22,274)	-	22,274	-
Dividends-(15% Cumulative preference shares)	-	-	-	-	(19)	(19)
Balance at 30 June 2024	2,661,816	-	6,768,529	(1,116,643)	789,528	9,103,229

	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)	-	(20,388)	(969,487)
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	8,018,024
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	131,741	6,979,840	-	821,758	7,950,090

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 2023	16,750	131,741	6,551,690	1,181,494	7,881,675
Issue of Ordinary Shares	2,645,066	-	-	-	2,645,066
Acquisition under common control (Note 5)	-	(131,741)	-	131,741	-
Profit / (loss) for the year	-	-	-	(62,789)	(62,789)
Other comprehensive income	-	-	-	(998)	(998)
Total comprehensive income for the year	-	-	-	(63,787)	(63,787)
Transfer of excess depreciation on revaluation	-	-	(73,707)	73,707	-
Dividends-(15% Cumulative preference shares)	-	-	-	(75)	(75)
Balance at 31 March 2024	2,661,816	-	6,477,983	1,323,080	10,462,879
Profit / (loss) for the period	-	-	-	(43,244)	(43,244)
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	-	-	(43,244)	(43,244)
Transfer of excess depreciation on revaluation	-	-	(18,427)	18,427	-
Dividends-(15% Cumulative preference shares)	-	-	-	(19)	(19)
Balance at 30 June 2024	2,661,816	-	6,459,556	1,298,244	10,419,616

	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	6,551,690	1,181,494	7,881,675
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	131,741	6,533,263	1,132,026	7,813,780

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	
	2024 (Unaudited)	2023 (Unaudited)	2024 (Unaudited)	2023 (Unaudited)
Profit/(loss) before income tax from operations	(104,820)	(67,915)	(51,052)	(67,876)
Adjustments for:				
Depreciation of property, plant and equipment	36,245	17,923	18,094	17,923
Amortization of intangible assets	159	156	87	156
Depreciation of Right-Of- Use Assets	1,299	-	-	-
Provision for retirement benefit plans - gratuity	1,127	681	592	681
Finance income	(42,410)	(3)	(181)	(3)
Finance expenses	46,822	31,347	18,227	31,347
Net foreign exchange gain/(losses)	(6,889)	276	(80)	276
Operating profit/ (loss) before working capital changes	(68,467)	(17,535)	(14,313)	(17,496)
(Increase)/decrease in inventories	8,191	(6,078)	6,704	(6,078)
(Increase)/decrease in trade and other receivables	107,820	(2,161)	30,764	(2,161)
(Increase)/decrease in amounts due from related parties	(40,493)	11,279	(205)	(3,621)
(Increase)/decrease in advances and prepayments	14,724	(11,227)	3,909	(11,227)
Increase/(decrease) in trade and other payables	(39,075)	2,895	(6,971)	2,857
Increase/(decrease) in amounts due to related parties	662	64,265	3,917	13,365
Cash generated from/ (used in) operations	(16,639)	41,438	23,805	(24,361)
Income taxes paid	-	-	-	-
Interest paid	(45,098)	(31,347)	(22,551)	(31,347)
Retirement benefit obligation paid	(1,063)	(1,148)	(241)	(1,148)
Net cash generated from/(used in) operating activities	(62,799)	8,943	1,013	(56,856)
Cash flows from investing activities				
Purchase/(disposal) of property, plant and equipment	(19,831)	27,237	(12,718)	27,237
Net change in related party borrowings	-	-	119,179	65,800
Interest income received	23,847	3	5	3
Net cash generated from/(used in) investing activities	4,016	27,240	106,466	27,240
Cash flows from financing activities				
Loan Repayment during the year	(69,998)	(30,345)	(54,748)	(30,345)
Principle element of lease payment	(2,970)	-	-	-
Net cash flow from /(used in) financing activities	(72,968)	(30,345)	(54,748)	(30,345)
Net increase/(decrease) in cash & cash equivalents	(131,751)	5,838	52,731	(59,961)
Movement in cash & cash equivalents				
At the beginning of the year	1,671,338	(113,228)	(131,301)	(113,172)
Net increase/ (decrease) in cash & cash equivalents	(131,751)	5,838	52,731	5,839
At the end of the year	1,539,587	(107,390)	(78,570)	(107,333)
Cash and cash equivalents at the end of the financial year consist of the following.				
Cash in hand and banks	1,744,409	2,500	9,977	2,500
Bank overdrafts	(204,822)	(109,890)	(88,547)	(109,833)
	1,539,587	(107,390)	(78,570)	(107,333)

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, 2024, 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

There has not been a change in the composition of the Group which require disclosure in the financial statements for the 03 months ended June 30, 2024.

United Hotels Company Limited (UHCL) and its subsidiaries became fully owned subsidiaries of the Company during the year ended March 31, 2024.

- 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, 2024, 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.

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, 2024.

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 30th June In LKR '000	Note	Company 2024	2023
i) Transactions with Parent Company			
Ceylon Hotels Corporation PLC			
Temporary Advance	B	69,512	(32,200)
ii) Subsidiaries and affiliates			
Expenses incurred by affiliates on behalf of KHC	A	-	(23,182)
Expenses incurred by KHC on behalf of affiliates	A	27	-
Reimbursement of expenses incurred by affiliates on behalf of KHC	A	-	9,392
Service provided by GFH Mgt Co	A	(3,917)	(2,631)
Temporary Advance	B	(188,690)	(33,600)
Interest charged for the advances provided by KHC	B	177	-

Non recurrent Related Party Transactions

There are no non-recurrent related party transactions for the period ended 30th June 2024.

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:

	<u>30 Jun 2024</u>	<u>30 Jun 2023</u>
Public holding percentage	15.95%	20.83%
Public shareholding	120,295,503	120,290,003
Number of public shareholders	2,007	1,960
Float adjusted market capitalisation (Rs.)	938,436,142	842,052,750

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 June 30, 2024 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. 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	%
1 Ceylon Hotels Corporation PLC	1	528,661,003	70.09
2 Ceylon Hotels Investment (Pvt) Ltd	2	49,715,471	6.59
3 Seylan Bank PLC/ Hotel International (Pvt) Ltd	3	36,890,938	4.89
4 Aduvat Investment Fund	4	36,582,097	4.85
5 Prograss Investments Limited	5	32,863,522	4.36
6 Hotel International (Private) Limited	6	17,906,619	2.37
7 Mr. N.V.S. Saackville	7	4,368,000	0.58
8 Mr. P.R.F. Collas	8	1,965,250	0.26
9 Mr. G.C. Goonetilleke	9	1,945,755	0.26
10 Mrs. L. Ratwatte	10	1,853,000	0.25
11 Mr. P.V. Gunasekera	11	1,750,000	0.23
12 Mrs. M.F. Gunasekera	11	1,750,000	0.23
13 Mrs. A.U.R. Pethiyagoda	13	1,500,000	0.20
14 Mr. J. Laravoire	14	1,496,250	0.20
15 Mr. E. Laravoire	14	1,496,250	0.20
16 Ms. M. Chevallaz	14	1,496,250	0.20
17 Mr. P. Chevallaz	14	1,496,250	0.20
18 Mr. A. Chevallaz	14	1,496,250	0.20
19 Ms. H. Sauties	14	1,496,250	0.20
20 Mr. J.P. Sauties	14	1,496,250	0.20
21 Mr. J.F.C. Badcock	21	1,034,250	0.14
22 Mr. F.D.M. Badcock	21	1,034,250	0.14
Sub total		730,293,905	96.82
Balance held by others		24,015,348	3.18
Total number of shares		754,309,253	100.00

4. Market Price per share

For three months ended 30 June

	<u>2024</u>	<u>2023</u>
	(Rs.)	(Rs.)
Highest Market Price	8.80	8.00
Lowest Market Price	7.80	6.70
Last Traded Price	7.80	7.00