# The Year of the Inflection — Profitable. Compounding. AI-Native.

Annual Report 2025/26

**KAPRUKA HOLDINGS PLC**

— THE THESIS, IN ONE PAGE

# We rebuilt the engine. *Now it compounds.*

*Kapruka exited FY26 as a different business than it entered FY24 — leaner, more diversified, structurally profitable, and built on top of an AI operating layer that compounds in cost and capability every quarter.*

For two financial years, this Group has been disassembled and reassembled — capital reweighted toward asset-light revenue, fixed cost taken out, the marketplace model leaned into, and a technology stack rebuilt around AI as a first-class operator rather than a feature. FY26 is the first year in which all of that work shows up as a number, in the same direction, on every line.

Group revenue grew 17% to Rs 1.93 billion. Gross profit expanded 34% — meaningfully faster than revenue, the signal of a margin mix shift. Operating profit turned positive after two years of losses, and Profit Before Tax landed at Rs 27.1 million against a loss of Rs 117.0 million in the prior year. A swing of Rs 144 million in twelve months.

None of that is the headline. The headline is what is underneath: three revenue engines now compounding in parallel, an operating cost base increasingly insulated from fuel and FX volatility, and an AI stack that takes a fixed cost out of every recurring task in the back office. We expect that stack to reach 40% back-office automation within the next several quarters.

For the investor reading this report, the question is no longer whether Kapruka can return to profit — it has. The question is the slope of the line from here.

| | |
|---|---|
| REVENUE<br>1.93 Bn<br>▲ +17% YoY | PBT SWING<br>+144 M<br>▲ Loss → profit |
| GROSS PROFIT<br>742 M<br>▲ +34.3% YoY | OP PROFIT<br>4.6 M<br>▲ From −147M |
| EPS<br>0.07<br>▲ From (0.87) | SHARE PRICE<br>23.80<br>▲ 3.0× YoY |

INFLECTION SIGNAL

Gross profit grew **2.1×** faster than revenue. That is operating leverage starting to show.

*"We have rebuilt the engine. The runway ahead is long, and the operating leverage embedded in our model is only beginning to show up in the numbers."*

DULITH HERATH · CHAIRMAN & CEO · 31 AUGUST 2026

# About this Report

Welcome to our Integrated Annual Report for the financial year ended 31 March 2026.

The theme of this year's report, *'The Year of the Inflection – Profitable. Compounding. AI-Native.'*, reflects a defining moment in Kapruka's journey. During the year, we strengthened our focus on sustainable profitability, accelerated the compounding effects of our digital platform ecosystem, and laid the foundation for becoming an AI-native enterprise.

This report provides stakeholders with a balanced and comprehensive overview of our financial performance, strategic progress, governance practices, and value creation initiatives during the year. It presents a consolidated perspective of Kapruka Holdings PLC ('Kapruka' or 'the Company'), together with its subsidiaries and associate company, highlighting how we continue to evolve our platform, enhance operational efficiency, and unlock new growth opportunities in an increasingly digital world.

As we navigate a rapidly changing business environment, we remain committed to creating long-term value for our shareholders, customers, employees, business partners, and the communities we serve.

## REPORTING PERIOD & BOUNDARY

This report covers the financial and non-financial performance of Kapruka Holdings PLC and its six wholly-owned subsidiaries, together with one associate company, collectively referred to as 'the Group' throughout this report.

Financial and non-financial reporting boundaries are aligned and extend to the Group's broader operating environment and external stakeholders. The report sets out how we create, preserve, or erode value through our operations, covering the financial year from 1 April 2025 to 31 March 2026.

It has been prepared in accordance with applicable statutory requirements, established reporting frameworks, and the Company's internal policies, and aligns with internationally recognised best practices. It upholds the principles of transparency and continuous disclosure across all material matters that have a bearing on our ability to create value over the short, medium, and long term.

## REPORTING FRAMEWORK

### FINANCIAL REPORTING

Financial reporting follows the Companies Act No. 7 of 2007, the Sri Lanka Accounting & Auditing Standards Act No. 15 of 1995, Sri Lanka Financial Reporting Standards, and the CA Sri Lanka guidelines for the presentation of annual reports.

### GOVERNANCE REPORTING

Governance reporting follows the Listing Rules of the Colombo Stock Exchange and the Code of Best Practice on Corporate Governance (2023) issued jointly by CA Sri Lanka and the Securities and Exchange Commission of Sri Lanka.

### SUSTAINABILITY REPORTING

Sustainability reporting aligns with SLFRS S1 and S2, the Integrated Reporting Framework of the IIRC, and the UN Sustainable Development Goals — presenting performance through six interlinked capitals.

## ASSURANCE

To ensure transparency, accountability, and accuracy, this report is subject to comprehensive internal and external review processes. The financial statements were reviewed by the Audit Committee prior to being recommended to the Board of Directors for approval. Furthermore, the financial statements were independently audited by Messrs. Ernst & Young, Chartered Accountants, whose Independent Auditor's Report is included in this Annual Report.

## FORWARD-LOOKING STATEMENTS

This report includes forward-looking statements regarding the Group's future strategies and business outlook. These statements are based on current expectations and assumptions and are subject to uncertainties and risks associated with future developments. Actual results may differ materially due to factors that could affect the Group's operational and financial performance.

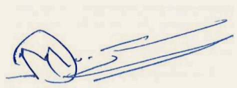
# Responsibility, materiality and feedback.

## STATEMENT OF RESPONSIBILITY

All information contained in this Annual Report has been reviewed by the Board of Directors. The Board confirms that the 2025/26 Annual Report presents a fair and balanced assessment of the Company's performance during the year and addresses all material matters relevant to its ability to create sustainable value over the short, medium, and long term.

Accordingly, this Annual Report was approved by the Board of Directors on 31st August 2026 and is signed on its behalf by:

Dulith V. Herath
Chairman / Chief Executive Officer



Manjula Dharmasri Kumara
Head of Finance

## COMPARABILITY

Comparative figures presented throughout this report are for the year ended 31 March 2025. The five-year summary presents figures from the financial year ended 31 March 2022 onward. Where prior-year figures have been reclassified for better presentation, this is disclosed in the relevant note to the financial statements.

## FEEDBACK & INQUIRIES

We value the feedback and engagement of our stakeholders as we strive to enhance our reporting practices and overall performance. Please feel free to reach out with any comments or questions regarding this Report.

Mr. Chamath De Silva
Finance Controller

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# Inside this report.

SECTION ONE

# Built for the Inflection.

*Who we are, what we do, and the year as a snapshot — the foundation for the argument that follows.*

— ABOUT KAPRUKA HOLDINGS

# The wishing tree, *now an operating system.*

*Twenty-four years old. Listed on the Colombo Stock Exchange. Operating in four offshore jurisdictions. Now in its second year of rebuilding around AI.*


*Kapruka* — Sinhala for the mythical tree that grants every wish — began as a single-page directory in 2002 when broadband in Sri Lanka was scarce and online retail was experimental. Today Kapruka Holdings PLC sits on top of an integrated commerce ecosystem that spans a domestic marketplace, an in-house production studio, a registered ISP, a US-based payment-gateway entity, and a UK distribution arm exporting Sri Lankan brands into global marketplaces.

The thesis has held for two decades and become more relevant with each year: that a single platform — fed by local supply, served by local hands, and pointed at a global diaspora — compounds advantages that no point-solution can match. The 200,000+ SKU catalogue today is wider because production is in-house; production is more profitable because the marketplace creates predictable demand; the marketplace runs faster because Techroot owns the rails; the diaspora business closes because all of the above already exists.

What changed in FY26 is what those rails now run on. The platform is being rebuilt around an AI operating layer that takes a fixed cost out of every recurring task: customer service, product discovery, content generation, supply-chain workflows, back-office processing. We are on track to **40% back-office automation** within the next several quarters — and the operating leverage that comes with it.

| FOUNDED | LISTED (CSE) |
| --- | --- |
| 2002 | 2022 |
| **ENTITIES** | **MARKETS** |
| 7 | 200+ |

## FOUR OPERATING ARMS · ONE PLATFORM

01 — Marketplace

### E-commerce

Sri Lanka's largest consumer marketplace. Cakes, flowers, electronics, fashion, groceries.

02 — Cross-border

### USD revenue

E-distributor for Sri Lankan brands on Amazon US, UK, Canada — and a structural FX hedge.

03 — Production

### In-house

Bakery, chocolate and packaged-food manufacturing for the marketplace and B2B partners.

04 — Web services

### Techroot

Licensed ISP and platform-engineering arm — the rails the rest of the Group runs on.

— GROUP STRUCTURE

# One holding. *Seven entities.*

A federated structure that lets each entity specialise — and pool capability through the holding company.

CSE: KPHL.N0000 · LISTED PARENT

## Kapruka Holdings PLC

Investment company · incorporated 2002

100%

**Kapruka E-Commerce (Pvt) Ltd**

Providing e-commerce services

Rs. 744,045,909 · Sri Lanka

100%

**Kapruka Production (Pvt) Ltd**

Manufacture & distribution of cakes, chocolates and baked food products

Rs. 5,370,000 · Sri Lanka

100%

**Kapruka Techroot (Pvt) Ltd**

Registered Internet Service Provider (ISP) / IT services

Rs. 20 · Sri Lanka

100%

**Kapruka USA LLC**

Global payment-gateway integration & cross-border (US & Canada) · w.e.f. 01.01.2024

USD 100 · United States

100%

**Kapruka Global UK Ltd**

Cross-border operation in the United Kingdom · w.e.f. 24.01.2025

GBP 1 · United Kingdom

100%

**Kapruka Ventures (Pvt) Ltd**

Trading and distribution of global products · w.e.f. 04.02.2025

Rs. 20 · Sri Lanka

### ASSOCIATE

25%

**Kapruka Global Shop (Pvt) Limited**

Providing e-commerce services

Rs. 20 · Sri Lanka

— WHAT WE STAND FOR

# Vision. *Mission.* Values.

VISION

## To be the most trusted, AI-native commerce platform connecting Sri Lanka to the world.

Two decades of operating the country's first e-commerce site — and a recognition that the next chapter is defined not just by where we sell, but by how the platform itself thinks.

MISSION

## To compound trust into reach — one customer, one merchant, one market at a time.

Reach is more than logistics. It is the engineering, the merchant tools, the payments, and the people who make every click-to-doorstep promise hold.

OUR VALUES

01

### Customer obsession

Every decision graded against whether it makes the next order easier, faster or more delightful than the last.

02

### Engineering rigour

A platform is only as good as its weakest API. We build, measure, and rebuild — with the discipline of an infrastructure company.

03

### Capital efficiency

Asset-light by default. The marketplace model exists because every rupee should compound for shareholders, not sit in inventory.

04

### Long-term stewardship

Listed-company discipline, family-business horizon. We invest for the next decade, not the next quarter.

— FINANCIAL HIGHLIGHTS · GROUP

# The year, on one page.

A definitive return to profitability after two years of restructuring — and the first hard evidence of the operating leverage we have been building toward.

REVENUE
**1.93** Bn
▲ +16.6% YoY · from Rs 1.65 Bn

GROSS PROFIT
**742** M
▲ +34.3% · GP margin 38.5%

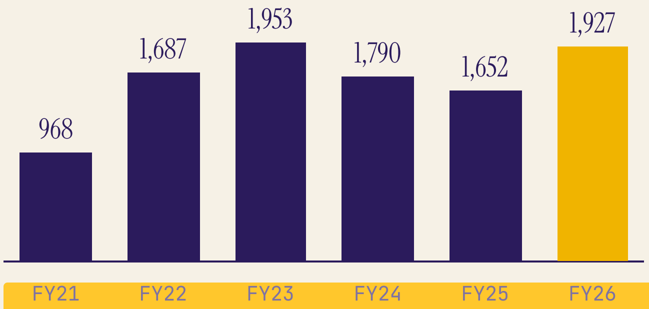
PBT
**27.1** M
▲ From (117.0) M loss

OP PROFIT
**4.6** M
▲ From (146.9) M loss

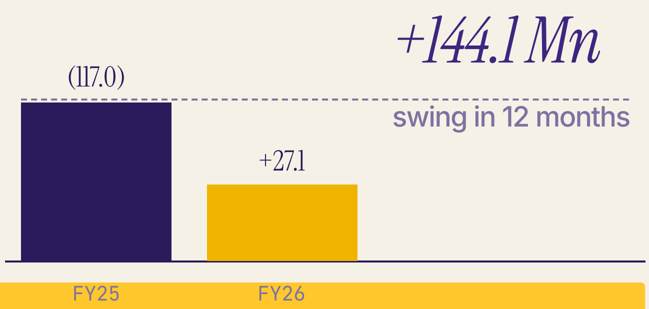
PROFIT AFTER TAX
**12.0** M
▲ From (142.4) M loss

EPS
**0.07**
▲ From (0.87) loss/share

## REVENUE TREND (LKR MN)




## PBT SWING — THE INFLECTION (LKR MN)




SHARE PRICE PERFORMANCE — FY26

Share price re-rated **3.0×** over the year, from Rs 7.90 to Rs 23.80 — and market cap from Rs 1.30 Bn to **Rs 3.91 Bn.**

3.0×

— FINANCIAL HIGHLIGHTS & RATIOS

# Group and Company, side by side.

Year ended 31 March

| Year ended 31st March | | Group | | | Company | | |
|---|---|---|---|---|---|---|---|
| | | 2026 | 2025 | Change % | 2026 | 2025 | Change % |
| **Earnings Highlights & Ratios** | | | | | | | |
| Revenue | Rs.'000s | 1,927,136 | 1,652,243 | 16.64 | 210,611 | 199,830 | 5.39 |
| Profit/(Loss) before Tax | Rs.'000s | 27,112 | (117,019) | 123.17 | 89,850 | 48,505 | 85.24 |
| Taxation | Rs.'000s | (15,090) | (25,351) | 40.47 | (14,377) | (24,157) | 40.49 |
| Profit attributable to Equity Holders | Rs.'000s | 12,022 | (142,370) | 108.44 | 75,473 | 24,348 | 209.98 |
| Total Comprehensive Income for the year | Rs.'000s | 14,613 | (127,287) | 111.48 | 79,763 | 37,384 | 113 |
| Earnings per Share | Rs. | 0.07 | (0.87) | 108.44 | 0.46 | 0.15 | 209.98 |
| Return on Shareholder's Equity % | % | 1.45 | (17.52) | 108.29 | 5.74 | 1.97 | 191.17 |
| Pre-tax Return on Shareholder's Equity | % | 3.28 | (14.40) | 122.76 | 6.84 | 3.93 | 74.00 |
| Return on Assets % | % | 0.81 | (9.68) | 108.36 | 4.55 | 1.49 | 204.74 |
| Interest Cover | No. of Times | 0.15 | (4.79) | 103.10 | 4.15 | 1.50 | 175.78 |
| **Balance Sheet Highlights & Ratios** | | | | | | | |
| Total Assets | Rs.'000s | 1,486,164 | 1,470,721 | 1.05 | 1,657,285 | 1,629,270 | 1.72 |
| Total Debts | Rs.'000s | 262,146 | 297,085 | (11.76) | 215,957 | 190,336 | 13.46 |
| Shareholder's Funds | Rs.'000s | 827,273 | 812,660 | 1.80 | 1,314,548 | 1,234,785 | 6.46 |
| No. of Shares in Issue | 000s | 164,130 | 164,130 | — | 164,130 | 164,130 | — |
| Net Assets per Share | Rs. | 5.04 | 4.95 | 1.80 | 8.01 | 7.52 | 6.46 |
| Debt/Equity | % | 31.69 | 36.56 | (13.32) | 16.43 | 15.41 | 6.58 |
| Debt/Total Assets | % | 17.64 | 20.20 | (12.68) | 13.03 | 11.68 | 11.54 |
| Current Ratio | No. of Times | 1.16 | 1.32 | (12.60) | 1.90 | 1.46 | 29.54 |
| **Market/Shareholder Information** | | | | | | | |
| Market Price per Share | Rs. | 23.80 | 7.90 | 201.27 | 23.80 | 7.90 | 201.27 |
| Market Capitalisation | Rs.'000s | 3,906,303 | 1,296,630 | 201.27 | 3,906,303 | 1,296,630 | 201.27 |
| Price Earnings Ratio | No. of Times | 324.93 | (9.11) | 3,667.76 | 51.76 | 53.25 | (2.81) |
| Dividend per Share | Rs. | — | — | — | — | — | — |
| Dividend Pay-out | % | — | — | — | — | — | — |
| Dividend Yield | % | — | — | — | — | — | — |
| ROCE | % | 0.40 | (13.00) | 103.10 | 6.15 | 3.98 | 54.61 |

· Taxes and levies: Rs 288.3 Mn · Share price high/low: Rs 36.00 / Rs 7.10 · Closing price: Rs 23.80

— VALUE ADDED STATEMENT

# Economic value created *and how it was shared.*

The Value Added Statement presents the wealth created by the Kapruka Group during the year and how that wealth was distributed among the stakeholders who helped create it — employees, government, providers of capital, and the business itself.

| Value added | 2025/26 (Rs. '000) |
|---|---|
| Revenue | 1,927,136 |
| Less: cost of materials and services purchased | (1,184,964) |
| **Gross value added** | **742,172** |
| Add: other income and finance income | 142,076 |
| **Total value added available for distribution** | **884,248** |

Total value added rose in line with revenue growth and margin expansion, reflecting a larger pool of economic value created for distribution than in the prior year.

| Distributed as follows | Rs. '000 | % |
|---|---|---|
| **To employees** | | |
| Salaries, wages & other benefits | 354,690 | 40.11 |
| **To Government** | | |
| Value Added Tax | 254,958 | 28.83 |
| Social Security Contribution Levy | 23,170 | 2.62 |
| Income Tax | 9,162 | 1.04 |
| Assessment Tax | 1,057 | 0.12 |
| **Total to Government** | **288,347** | **32.61** |
| **To providers of capital** | | |
| Interest on borrowings | 30,094 | 3.40 |
| Dividends to shareholders | — | — |
| **Retained within the business** | | |
| Depreciation & impairment | 58,630 | 6.63 |
| Reserves | 152,487 | 17.24 |
| **Total value distributed** | **884,248** | **100.00** |

## DISTRIBUTION OF VALUE ADDED — FY2025/26


Employees 40.1% · Government 32.6% · Retained within the business 23.9% · Providers of debt capital 3.4% · Shareholders nil (no dividend declared).

— OPERATIONAL HIGHLIGHTS

# Beyond the income statement.

What changed in the business this year — the moves that drove the numbers, and the moves that will drive them next.

### 01 Partner Central scaled to maturity

The marketplace model — onboarding third-party sellers to plug into Kapruka's customer base — became the principal driver of the gross-margin expansion this year. Asset-light revenue, no inventory exposure, and the operating leverage compounds quarter on quarter.

### 02 Services Platform launched

A TaskRabbit-style services layer built for Sri Lanka — IT support, professional services, in-home help. High-margin, recurring-by-nature revenue on top of the same customer network.

### 03 Cross-border matured

USD revenue from acting as e-distributor for Sri Lankan brands on Amazon US, UK and Canada — now a structural growth lever and an FX hedge for the Group.

### 04 AI rolled out across the back office

Customer service, product discovery, content generation, supply-chain workflows and back-office processing are now AI-augmented. On track to 40% back-office automation within several quarters — a permanent step-change in unit economics.

### 05 EV fleet conversion commenced

Stage 1 of a multi-quarter programme: **five electric vehicles ordered** as the first phase of the Group's transition to zero-emission last-mile transport, in partnership with Hayleys Mobility. The programme responds directly to the material Scope 1 finding identified through the Group's first SLFRS S1/S2 disclosure work.

### 06 Capital deployment substantially complete

90% of IPO proceeds (Rs 455.5 Mn of the Rs 505.5 Mn raised) have now been deployed against original objectives. Rs 50 Mn remains earmarked for the personal-cargo collection initiative.

**FY26 SEGMENT REVENUE · GROUP (LKR MN)**

E-COMMERCE
Rs 1,689 · +16%

CROSS-BORDER
Rs 243 · +30%

PRODUCTION
Rs 195 · +1%

WEB SVC
Rs 39

Segment revenues before consolidation adjustments of Rs (238.2) Mn. Source: Note 32 — Industry Segment Information.

— TWENTY-FOUR YEARS

# Milestones.

From a single-page directory to a publicly listed, AI-native commerce group operating across four jurisdictions.

| | | |
|---|---|---|
| 2002 | **Incorporated as Lanka Dot Info (Private) Limited**<br>Sri Lanka's first commercially operated e-commerce site. Founded by Dulith Herath when broadband penetration was below 1%. | Origin |
| 2005 | **Renamed Kapruka Dot Com (Private) Limited**<br>A Sinhala name for a Sri Lankan platform — brand repositioned around the wishing-tree metaphor. | Brand |
| 2008 | **Re-registered under the Companies Act No. 7 of 2007**<br>Compliance milestone laying the foundation for eventual public-company status. | Compliance |
| 2021 | **Converted to Public Limited Company**<br>Status changed from Private to Public on 6 Nov 2021; renamed Kapruka Holdings Limited two weeks later. | Restructure |
| 2022 | **Listed on the Colombo Stock Exchange**<br>Admitted to the main board on 7 Jan 2022 as **KPHL.N0000**. IPO raised Rs 505.52 Mn against five strategic objectives. | Listing |
| 2024 | **Cross-border operation goes live**<br>Kapruka USA LLC begins global payment-gateway integration and cross-border flow from 1 Jan 2024. | Expansion |
| 2025 | **UK entity & Ventures arm launched**<br>Kapruka Global UK Ltd incorporated 24 Jan 2025; Kapruka Ventures (Pvt) Ltd added 4 Feb 2025. | Expansion |
| 2026 | **Return to profitability; AI rolled out across operations**<br>PBT of Rs 27.1 Mn (vs Rs 117.0 Mn loss). AI-as-OS deployment in motion. EV fleet conversion begins. | Inflection |

— AWARDS & RECOGNITION

# Two decades of *recognised firsts.*

Kapruka's award history spans entrepreneurship, export excellence, brand leadership, ICT innovation and financial reporting — accumulated across more than fifteen years as Sri Lanka's e-commerce pioneer.

## RECENT RECOGNITION

| | |
|---|---|
| 2024 | TAGS Awards — Bronze, Retail Sector<br>CA Sri Lanka · for excellence in financial reporting and corporate disclosure practices |
| 2024 | TAGS Awards — Certificate of Recognition<br>CA Sri Lanka · Integrated Reporting and Corporate Governance Disclosure, Non-Financial Services category |
| 2024 | National ICT Awards (NBQSA) — Bronze<br>In-House Project of the Year (Media Category) for Kapruka Partner Central |
| 2023 | National ICT Awards (NBQSA) — Merit<br>Research and Development category · for innovative use of generative AI in Sinhala to enhance digital accessibility |
| – | UN World Summit on the Information Society (WSIS)<br>International recognition of digital and cross-border innovation, alongside the International Trade Centre |

## BRAND & SECTOR LEADERSHIP

| | |
|---|---|
| 2017 | SLIM Brand Excellence — Gold, Online Brand of the Year<br>Sri Lanka Institute of Marketing · third consecutive title |
| 2016 | SLIM Brand Excellence — Gold, Online Brand of the Year<br>Second consecutive win, consolidating online retail leadership |
| 2015 | SLIM Brand Excellence — Gold, Online Brand of the Year<br>Inaugural winner of the newly introduced category |
| 2017 | SLT Zero One Award — Retail Sector<br>Sri Lanka Telecom · Best Digital Enabled Product/Service |
| 2017 | National Business Excellence Awards — Runner-up<br>Other Service Sector · National Chamber of Commerce of Sri Lanka |
| 2011 | National Business Excellence Awards<br>Other Service – Other Sector category |

## ENTREPRENEURSHIP

| | |
|---|---|
| 2018 | Asia Pacific Young Entrepreneur of the Year<br>Awarded to Mr. Dulith Herath |
| 2017 | Sri Lankan Entrepreneur of the Year — Provincial Gold<br>Extra Large Category, Western Province · FCCISL · Mr. Dulith Herath |
| 2010 | Sri Lankan Entrepreneur of the Year — Provincial Silver<br>Medium Category, Western Province · FCCISL |

## EXPORT & ICT EXCELLENCE

| | |
|---|---|
| 2011 | Most Innovative Exporter — Gold<br>National Chamber of Exporters |
| 2011 | Sri Lanka's Best E-Commerce Application<br>Information Communication Technology Agency (ICTA) |
| 2010 | Export of Business and Professional Services — Gold<br>Medium Sector · National Chamber of Exporters (NCE) Awards |

SECTION TWO

# The Inflection.

*AI as the operating system. Three revenue engines compounding in parallel. Why we believe the upside from here is asymmetric.*

AI-as-OS · Partner Central · Services · Cross-Border · Asymmetric upside

— AI AS THE OPERATING SYSTEM

# We did not bolt AI on. *We rewrote the OS.*

*The most significant strategic shift this year is not visible in any single quarter's P&L. It is the embedding of AI as a first-class operator across the business — and the operating leverage that compounds with it.*

Most companies talking about AI in their annual reports mean one of two things: a chatbot they bought, or a slide deck. What we have done is different. We have moved AI from a feature on top of the platform into the substrate underneath it — the layer that **customer service tickets, product discovery sessions, content generation, supply-chain workflows, and back-office reconciliation** all now run through, by default.

The mechanism is straightforward. Every recurring task that used to require human attention — classifying a return, drafting a product description, routing a courier, reconciling a payment — has been re-modelled as a workflow that an AI agent executes, with a human supervising rather than doing. The supervisor catches edge cases and trains the next iteration. The unit cost of each task drops every quarter. The capacity to handle more volume grows without proportional headcount.

We expect to reach **40% back-office automation** within the next several quarters. That is not a productivity slogan — it is a number we are measuring, against a baseline, with a roadmap.

In practical terms, AI is allowing us to scale revenue without proportionally scaling headcount or fixed costs. That is the definition of operating leverage, and it is the lever that turns a profitable quarter into a structurally more profitable business.

FY26 → FY27

### Where AI shows up first

- **Customer service.** Tier-1 ticket triage and resolution; chat & voice deflection.
- **Product discovery.** Semantic search, recommendations, and personalised gift discovery.
- **Content generation.** Listing copy, image alt text, marketing collateral, partner brief packs.
- **Supply chain.** Demand forecasting, restock signals, courier routing, exception management.
- **Back office.** Reconciliation, settlement, tax classification, invoice matching.

TARGET — NEXT SEVERAL QUARTERS

40%

*back-office automation*

— THE COMPOUNDING MECHANISM

# Three loops that compound each other.

Loop 01

### Cost compression

Each automated task lowers the marginal cost of serving the next order. As volume grows, average unit cost falls. The savings fund the next wave of automation.

Loop 02

### Capability expansion

An AI-driven platform can do things that a manual one cannot — semantic search, real-time personalisation, multi-language content at zero marginal cost. New capability widens the moat.

Loop 03

### Speed advantage

Cycle times drop. Onboarding a partner, launching a category, reconciling a settlement — what took days takes hours. Speed is itself a competitive moat in commerce.

## WHAT THIS LOOKS LIKE IN THE NUMBERS

Gross profit grew **34%** against revenue growth of **17%**. That gap is what you would expect to see when fixed costs are being held down while revenue is moving up. It is the empirical signature of operating leverage starting to bite.

Selling and distribution expenses grew just **1%** against revenue growth of **17%** — early evidence that the cost base is decoupling from the top line. Administrative expenses grew **17%**, of which a one-off tax-assessment charge of Rs 41.1 Mn accounted for the majority of the increase; excluding it, administrative expenses grew well below revenue.

The single largest expense line is no longer headcount — it is cost of sales, and cost of sales is increasingly absorbed by third-party sellers on the marketplace, not by us.

| Line item · Group | FY26 | FY25 | Δ% |
|---|---|---|---|
| Revenue | 1,927.1 | 1,652.2 | +16.6% |
| Cost of sales | (1,185.0) | (1,099.8) | +7.7% |
| **Gross profit** | **742.2** | **552.5** | **+34%** |
| Other income | 88.8 | 46.3 | +92% |
| Admin expenses | (537.4) | (458.7) | +17% |
| Selling & distribution | (289.1) | (286.9) | +1% |
| **Operating profit** | **4.6** | **(146.9)** | **+110%** |
| Net finance | 22.5 | 29.9 | −25% |
| **PBT** | **27.1** | **(117.0)** | **+123%** |

All figures LKR Mn. Group consolidated. Source: Statement of Profit or Loss for the year ended 31 March 2026.

> “Gross profit grew 2.1× faster than revenue. That is the signature of operating leverage.”

— THE THREE ENGINES

# Three revenue engines. *Compounding in parallel.*

*FY26 was the first year all three engines ran at the same time — each on a different growth curve, each insulated from the others' cycle.*

The marketplace compounds capital efficiency. The services platform extends the customer network into bookable, recurring revenue. The cross-border arm diversifies revenue into hard currency. Together they replace a single-vector commerce business with a portfolio of compounding revenue streams.

Engine 01

## Partner Central

MARKETPLACE · ASSET-LIGHT

Third-party sellers plug into our customer base, logistics and payments. Revenue without inventory risk. Margin compounds quarter on quarter.

Effect on FY26

+34% gross profit

Engine 02

## Services Platform

BOOKABLE DIGITAL SERVICES

A TaskRabbit-style services layer built for Sri Lanka. High-margin, recurring-by-nature revenue on top of two decades of customer trust.

New addressable market

Beyond physical goods

Engine 03

## Cross-Border

USD REVENUE · GLOBAL SCALE

E-distributor for Sri Lankan brands on Amazon US, UK and Canada. Hard-currency revenue and a structural FX hedge for the Group.

FY26 segment revenue

Rs 243 Mn

— ENGINE 01 / 03

# Partner Central.

*Marketplace as operating leverage*

*Each new partner adds revenue without adding inventory risk. The operating leverage compounds quarter on quarter.*

For most of Kapruka's history, every order on the platform meant a corresponding rupee of stock on our balance sheet. That model produced trust — the customer knew we had it, could ship it, and would replace it if anything went wrong — but it tied capital to inventory in a way that put a ceiling on margin expansion.

Partner Central inverts that. Third-party sellers — established Sri Lankan brands and new merchants alike — plug their catalogue, pricing and fulfilment promise into our customer base, logistics network and payments infrastructure. Kapruka earns a commission on transactions plus platform fees; the seller carries the inventory.

The math is the operating leverage thesis in compressed form. Each marketplace order generates revenue with structurally higher gross margin, no working-capital draw, and minimal incremental variable cost. As Partner Central's share of the revenue mix grows, the entire Group's margin profile re-rates.

The transition is what drove the **34% gross-profit expansion** against **17% revenue growth** this year. It is the most important single contributor to the return to profitability, and it has years of headroom ahead of it.

We are deepening integration with leading brands in Sri Lanka, providing them with a digital storefront and fulfilment infrastructure they could not build standalone. Both sides win — and the network effect strengthens with each onboarding.

WHY THIS COMPOUNDS

## The marketplace flywheel

1. **More partners** — widens catalogue, attracts more customers
2. **More customers** — attracts more partners; raises the bar for entry
3. **Higher GMV** — spreads platform fixed cost over more revenue
4. **Better data** — sharper recommendations, smarter pricing, lower friction
5. **Stronger margins** — reinvest into product, attract more partners

Asset-light, infinitely scalable, structurally higher-margin — the marketplace model is the single largest contributor to the FY26 margin re-rating.

+34%

GROSS PROFIT YOY

— ENGINE 02 / 03

# Services Platform.

*Trust capital, applied to a new vertical*

*We have expanded beyond physical goods into the service economy. Inspired by models like TaskRabbit, but built for Sri Lanka — and built on top of the trust equity we have accumulated over two decades.*

The platform connects customers with verified providers across IT support, professional services, and an expanding set of in-home and small-business needs. The model is straightforward — we vet, we list, we collect payment, we mediate disputes; the provider delivers; we take a platform fee. The commercial vehicle is **Kapruka Service Central**, an arm of Partner Central now in beta, which lets service providers sell on Kapruka the way merchants sell goods.

The expatriate use-cases make the idea concrete: an expat can order a *seth kavi* chanting, book a horoscope reading, send a geek-squad-style technician to fix their parents' home internet, or arrange weekend newspaper delivery — all paid from abroad, delivered in Sri Lanka, on Kapruka rails.

What makes this engine strategically interesting is the leverage on the customer base we already have. The same household ordering a birthday cake for a parent, or a Petti Petti parcel abroad, can now book a plumber, a tutor, an IT technician or a cleaning crew — without leaving the Kapruka surface.

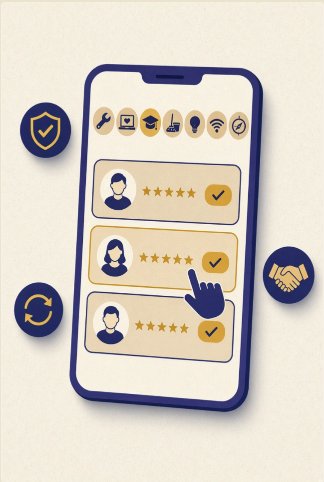
That converts a transactional relationship into a recurring one, with margin characteristics unlike physical goods: **no inventory, no last-mile cost, recurring frequency, high gross margin**. A customer using both goods and services is worth materially more than one using goods alone.

We are early — the engine launched this year in deliberate-build mode. But customer-acquisition cost is effectively zero (the customers are already ours), and unit economics on every booking are positive from day one.

WHY THIS WORKS

### Services on a trust network

- **Zero CAC** — customers are already on the platform
- **High margin** — no inventory, no logistics
- **Recurring** — many service needs repeat monthly or weekly
- **Trust gates competition** — two decades of brand equity is hard to replicate
- **Provider supply elastic** — can scale provider side independently of demand



*"We are no longer just a retailer; we are an enabler of commerce — both local and global."*

Dulith Herath · Chairman & CEO · February 2026

— ENGINE 03 / 03

# Cross-Border.

*Sri Lankan brands, global reach, USD revenue*

*A mature, dollar-generating vertical — managing the end-to-end value chain that turns Sri Lankan brands into global exporters.*

Through Kapruka USA LLC and Kapruka Global UK Ltd, we act as the e-distributor for Sri Lankan brands on Amazon US, Amazon UK, Amazon Canada and other global marketplaces. We handle logistics, compliance, listings, and customer service end-to-end. Local brands keep doing what they do best — making product. We do everything between their factory and the international consumer's doorstep.

The strategic value of this engine is more than its rupee contribution. In an economy where dollar revenue carries weight well beyond its conversion rate, the cross-border arm is a **structural FX hedge for the Group** — and a multi-year growth lever in markets that are an order of magnitude larger than the domestic one.

FY26 segment revenue was Rs 243 Mn (FY25: Rs 188 Mn), with the segment loss narrowing to Rs 5.7 Mn (FY25: Rs 25.9 Mn loss) reflecting investment behind the UK entity stand-up and the broader build-out. The unit economics turn favourable as fixed cost absorbs across rising volume — we have built the rails, and they get cheaper per unit with each shipment.

The diaspora dimension is structural. Sri Lankans abroad — and global consumers discovering Sri Lankan tea, spices, and craft — represent a customer base that grows independently of the domestic cycle.

CROSS-BORDER · WHERE WE OPERATE

### Four marketplaces · three jurisdictions

**US** Amazon US
Operated via Kapruka USA LLC

**GB** Amazon UK
Operated via Kapruka Global UK Ltd · since Jan 2025

**CA** Amazon Canada
Operated via Kapruka USA LLC

🌐 Other global marketplaces
eBay, Etsy, niche platforms

SEGMENT REVENUE · FY26

**Rs 243 Mn**

FY25: Rs 188 Mn · +30% YoY · segment loss narrowing

### WHY USD REVENUE MATTERS

In an economy where currency volatility has been the dominant macro variable for three years, every rupee of revenue generated in hard currency is worth more than its rupee equivalent on paper. It de-risks the Group's cost of imported inputs, broadens the equity story for institutional investors, and structurally hedges the balance sheet.

### WHY THIS IS DURABLE

Sri Lankan brands — tea, spices, craft, food, beauty — have authentic global appeal that does not commoditise. The logistical, regulatory and listings work needed to put them on Amazon is meaningful, repetitive, and a moat once built. We have built it.

— THE CASE

# Why the upside *is asymmetric from here.*

*Kapruka now sits at the intersection of three powerful trends — and on top of an operating layer that gets cheaper to run every quarter.*

Trend 01

### Digitisation of Sri Lankan commerce

Online-shopping penetration is still well below regional benchmarks. The runway for organic category growth is years, not quarters.

Trend 02

### Global appetite for authentic Sri Lankan products

Tea, spices, craft, beauty, food — structural global demand, no commoditisation. Cross-border revenue grows regardless of domestic cycle.

Trend 03

### Rapid drop in the cost of intelligence

AI costs continue to fall while capability climbs. Every quarter the AI operating layer gets cheaper to run and harder to replicate.

## What we now have

**Stronger balance sheet** — D/E down to 31%

**Returning profitability** — PBT +Rs 27.1M from (Rs 117M)

**A compounding marketplace** — GP growing 2× revenue

**USD revenue diversification** — structural FX hedge

**Insulated cost base** — EV programme + dollar revenue

**Cheaper-by-the-quarter tech stack**

## The upside case

If revenue holds at the current run rate, the operating-leverage signature compounds. Each additional rupee drops a higher share to operating profit than the rupee before it. The result is a business that gets more profitable as it grows.

If revenue accelerates — through Partner Central, Services, or Cross-Border — the leverage compounds faster. New optionality is already in the funnel: a closed-loop **gift card accepted at any POS machine in Sri Lanka**, launching with HNB and Sampath Bank — who together operate roughly 70% of the country's POS terminals — and Cross-Border expansion into the EU, UAE and Australia.

If macro tightens, the structural changes already made — asset-light revenue mix, USD revenue base, EV fleet — absorb more shock than they would have two years ago.

*That is the definition of asymmetric upside. Downside bounded by work already done. Upside compounds with every quarter the engines run.*

SECTION THREE

# Leadership Behind the Inflection.

*A letter from the Chairman, followed by a direct Q&A on the hard questions — and the Board and management team executing the plan.*

Chairman's letter · Chairman Q&A · Board · Management

— CHAIRMAN'S LETTER

# A letter, before the Q&A.

*Dear Shareholders,*

FY26 marks an inflection point in our journey from Sri Lanka's largest e-commerce platform to a fully integrated, AI-powered digital commerce ecosystem. The numbers tell a clear story. Group revenue grew 19% in the fourth quarter and 17% for the full year, but the more important signal is what happened beneath the top line. Gross profit expanded 34% across the year, lifting our gross margin meaningfully and reflecting a deliberate shift toward higher-quality revenue. Operating profit swung from a Rs 147 million loss to a Rs 4.6 million profit. Profit Before Tax reached Rs 27.1 million, against a loss of Rs 117 million the year before.

This is the result of a deliberate two-year restructuring — tightening cost discipline, reweighting the business toward asset-light revenue streams, and laying the technology foundation for the next phase of growth.

Three engines now run in parallel. Partner Central, our marketplace, continues to expand both gross margin and capital efficiency by enabling third-party sellers to plug into our customer base, logistics, and payments infrastructure. The Services Platform extends Kapruka beyond physical goods into bookable digital services on top of two decades of accumulated trust. Cross-Border scales our USD revenue base as e-distributor for Sri Lankan brands on Amazon US, UK, and Canada.

The most significant strategic shift this year is the embedding of AI as the operating system of the business — not a feature, a layer. We expect to reach 40% back-office automation within the next several quarters, which will translate directly into lower unit costs, faster cycle times, and improved operating margins as volume grows.

The full argument follows in the Q&A that comes after this letter, and in the management discussion and analysis later in this report. I have answered, as directly as I am able, the questions an investor seriously evaluating Kapruka would want answered.

Yours sincerely,

*Dulith V. Herath*

Chairman & CEO
Kapruka Holdings PLC

— A Q&A WITH THE CHAIRMAN

# Ten questions. *Direct answers.*

*A standing convention of Kapruka annual reports has been a one-direction letter from the Chairman. This year, we have instead asked Dulith Herath to answer, in his own words, the ten questions an institutional investor seriously evaluating Kapruka would most want answered — from why now is the inflection, to where the upside actually lives.*

The exchange that follows is unedited beyond light copy-editing for clarity. Where Dulith chose to give a short answer, we have kept it short.

## THE TEN QUESTIONS

01 FY26 is the inflection. Why now?

02 Three engines, not one. How do you think about their relative weight?

03 Partner Central — what does "asset-light" actually mean for the P&L?

04 AI: every annual report claims this. What is actually different at Kapruka?

05 Cross-Border — what is the realistic ceiling on USD revenue?

06 The share price has tripled. What changed in how the market sees you?

07 What are the risks that actually keep you up at night?

08 The EV fleet — is this real, or is it a slide deck?

09 Capital allocation — when do you start returning capital?

10 The single simplest version of the Kapruka investment case?

— **QUESTIONS 01–03**

## 01 FY26 is the inflection. Why now?

Because the work that produces an inflection takes two years and only shows up in one. We started restructuring in FY24 — pulling capital out of inventory, leaning into marketplace economics, taking fixed cost out, rebuilding the technology stack with AI as a default rather than an add-on. None of that is visible in a single quarter. But the cumulative effect is what shows up in FY26.

The reason it's *this* year is that all three of those shifts crossed their breakeven in the same twelve months. Partner Central crossed the line where marketplace contribution started outweighing the inventory businesses it displaces. AI deployment crossed the line where the cost takeout on automated processes exceeded the cost of running the AI itself. And Cross-Border crossed the line where USD revenue at scale began materially diversifying the FX exposure. The compounding effect produces the inflection.

## 02 Three engines, not one. How do you think about their relative weight over the next five years?

Today, the e-commerce marketplace is still the largest revenue contributor — about three quarters of Group revenue. That will reduce as a proportion, not because the marketplace shrinks, but because the other two engines grow faster from a smaller base.

Over a five-year horizon, I would expect the marketplace to remain the largest revenue contributor but the smallest growth driver in percentage terms. Cross-Border will be the fastest-growing in absolute revenue terms, and Services will be the highest-margin contributor per rupee. The healthiest version of Kapruka in 2031 is not one engine running at 1,000% — it is three running at 30-50% each, off bases that are no longer comparable to today.

## 03 Partner Central — what does "asset-light" actually mean for the P&L?

Concretely, three things. **First**, gross margin: marketplace revenue carries no cost-of-goods on our P&L. The seller carries the inventory. What we earn is commission and platform fee, which drops to gross margin at a much higher rate than physical-goods sale of our own stock.

**Second**, working capital: as marketplace share rises, the working capital intensity of the business falls. Inventory days, receivable days, payable days — all move in the right direction. Cash conversion improves structurally.

**Third**, scalability: there is no operational ceiling on adding partners. Listings, fulfilment integration, payments are platform features. The marginal cost of the 1,000th partner is effectively the same as the marginal cost of the 100th.

On the take rate: ours runs above **30%** in most categories — well above regional marketplaces — because it bundles far more than a listing. Partners store items with us; we handle storage, packing, returns and re-delivery attempts, and give sellers access to an expatriate customer base that is a brand-new segment for most of them. In electronics we deliberately negotiate lower rates to preserve depth of choice. Partner Central also lets us open niche categories at zero initial cost — pet food, auto parts, helmets, hobby electronics — where online competition is thin. Category growth is demand-driven: a council of AI agents reviews search traffic daily and recommends what to add and what to retire.

— **QUESTIONS 04–05**

## 04 AI: every annual report claims this. What is actually different at Kapruka?

The honest answer is that most "AI in annual report" is positioning. We have tried hard not to do that. What we have done is rebuilt how recurring back-office work happens. Customer service tickets, listing copy, supplier reconciliation, courier routing — these used to be done by people sitting in chairs. Today, an AI agent does the first cut, a person supervises, and the system learns from the supervision.

That is not exciting to write about. It is a series of unglamorous productivity changes across dozens of workflows. But it compounds. Each workflow we automate reduces a fixed cost. Each reduction funds the next automation. The cost of the AI itself falls every quarter as foundation-model prices come down. The capability climbs at the same time. That two-vector improvement is the asymmetry we are betting on.

The number we are tracking is back-office automation share — what proportion of recurring tasks are handled by an AI-augmented workflow rather than a manual one. We are targeting **40% within the next several quarters**. That is not a tagline; it is a number with a roadmap.

A concrete example: every department can reach an internal agent named **"Moorthi"** — named after one of Kapruka's earliest runners — over WhatsApp. A delivery driver leaves a voice note about an unreachable customer; Moorthi researches the order, finds alternative contacts, and replies while the driver is still moving. Hundreds of edge cases like this are being agentified. The result: a firing freeze and a hiring freeze at once — nobody is let go because of AI, and no new hires outside blue-collar roles despite rising volume. Next frontier: a full-screen ordering agent taking customers from discovery to payment without forms — we believe a third of order placements will eventually happen this way.

*"Most 'AI in annual report' is positioning. We have tried hard not to do that. What we have done is rebuilt how recurring work happens — and the cost of doing it falls every quarter."*

— A Q&A WITH THE CHAIRMAN · CONTINUED

## 05 Cross-Border — what is the realistic ceiling on USD revenue?

Higher than most people watching the segment from outside Sri Lanka would estimate. The underlying market — global demand for authentic Sri Lankan tea, spices, craft, beauty, food — is structurally large and not commoditising. What gates the growth is not demand; it is execution: listings, compliance, returns handling, customer service in multiple time zones. We have spent two years building exactly that operational capability through Kapruka USA LLC and Kapruka Global UK Ltd.

I do not want to put a number on the ceiling because I would rather let the results define it than commit prematurely. What I will say is that Cross-Border is the engine where I see the longest growth runway in absolute USD terms. The strategic prize is not just revenue — it is hard-currency revenue that diversifies our entire balance sheet.

Two practical notes. The economics are capital-intensive in a specific way: containers shipped from Sri Lanka to the US and other markets take three to six months to convert to cash, so stock levels drive quarter-to-quarter segment results — the losses you see in some quarters are a stock-replenishment cycle, not a demand problem. And the expansion roadmap is set: **EU, UAE and Australia** commence next.

— QUESTIONS 06–07

## 06 The share price has tripled. What changed in how the market sees you?

Two things, I think. First, the inflection is now real. For two years we said the restructuring would produce a different P&L, and for two years the P&L looked the same. In FY26 it visibly changed. The market is rational — it weights evidence more than narrative, and the evidence finally arrived.

Second, the AI story landed in a different way than it would have two years ago. In 2024, "AI commerce platform" was a slide; in 2026, the cost curves on foundation models are real, the operating-leverage thesis is empirically defensible, and a small number of investors started doing the maths.

What I will say to all of our shareholders — old and new — is that we are not running the business for the share price. We are running it for the next ten years of compounding. If we do that work well, the share price follows. If we chase the share price, the business does not.

## 07 What are the risks that actually keep you up at night?

The honest list, in rough order:

**Macro / FX.** Sri Lanka is in a more stable place than two years ago, but the currency is not the most predictable variable in the world. We have hedged structurally through Cross-Border USD revenue, but a sharp rupee move in either direction still ripples through the P&L.

**Execution on AI.** The 40% back-office automation target is achievable, but it requires sustained engineering attention over multiple quarters. We have to keep delivering. The roadmap is real but the execution risk is real too.

**Competition.** The marketplace category attracts well-capitalised global entrants. Our defence is trust accumulated over two decades, native logistics, and the Cross-Border arm that no point-solution competitor can replicate. But we never assume the moat is permanent — we widen it every quarter.

**Talent.** The cluster of people who can build AI-native commerce in Sri Lanka is small. We have it; we keep investing in it.

## — QUESTIONS 08–10

### 08 The EV fleet — is this real, or is it a slide deck?

It is real, it is staged, and it is multi-quarter. We are converting urban Colombo routes first, where energy infrastructure is densest and route patterns are most predictable, then outstation as charging infrastructure rolls out. The economic argument is simple: fuel is our single most volatile cost line, and replacing it with grid electricity replaces volatility with predictability. The maintenance argument is almost as good — fewer moving parts, longer cycles, lower per-kilometre cost. It is not a marketing programme. It is a structural P&L decision.

### 09 Capital allocation — when do you start returning capital?

Not yet, and the reason is straightforward. The internal rate of return on the next rupee of capital invested in Partner Central, Services, and Cross-Border is higher than what we could responsibly return to shareholders today. Retained earnings get deployed against asymmetric upside; that is the right capital decision while the engines are still in their compounding phase.

That equation flips when the engines mature and incremental capital starts earning at the cost of capital rather than well above it. When it does, we will start returning capital — first through buybacks at the right share price, then through a sustainable dividend. We will be transparent about when that point arrives.

### 10 The single simplest version of the Kapruka investment case?

A profitable, listed, founder-led commerce platform with 24 years of trust equity, three revenue engines compounding in parallel, an AI operating layer that gets cheaper every quarter, USD revenue diversification through Amazon US, UK and Canada, an EV fleet conversion that structurally insulates the cost base, and operating leverage that is starting to show up in the numbers. The downside is bounded by the restructuring already done. The upside compounds.

You can write the investment case in one paragraph. The hard work is in the second decade of execution behind it.

*— Dulith Herath*

Chairman & CEO · Kapruka Holdings PLC

5 AUGUST 2026 · COLOMBO

— THE UNIT ECONOMICS, IN NUMBERS

# What the investor call surfaced.

The numbers below come directly from management's exchanges with institutional investors during the year — the operating metrics behind the P&L.

**CUSTOMER ACQUISITION COST**

~4 % of revenue

Industry average in e-commerce is ~25%. Two decades of brand equity is the moat.

**CASH CONVERSION CYCLE**

92 ⟶ 13 days

Improved working-capital control; renegotiated supplier terms are the new normal.

**MARKETPLACE TAKE RATE**

30 %+

Bundles storage, packing, returns, re-delivery and expat customer access.

**AVERAGE BASKET · INTERNATIONAL**

USD 50 +

Local basket ~Rs 8,000 — a premium position in the market.

**REGISTERED CUSTOMERS**

1.2 Mn

Over 50% active within the last 36 months.

**SELF-PURCHASE SHARE OF REVENUE**

40 %+

Gifting remains the cash-cow base; non-gift purchases now exceed 40% of the mix.

## THE NO-DISCOUNTS POLICY

We demand the correct price for good service. Kapruka does not participate in race-to-the-bottom discount programmes or credit-card promotions — a deliberate positioning choice that protects both margin and brand. Growth comes instead from category expansion, payment convenience (Apple Pay, Google Pay, KOKO BNPL — with country-specific options such as Afterpay in progress) and a forthcoming prime-like subscription for expatriate customers with pre-scheduled monthly deliveries to family homes in Sri Lanka.

## WHERE MARGIN EXPANSION COMES FROM

Marketplace gross margin moved from 27% to 39% across the model transition. The drivers: sticking to categories that can sustain such margins, improving gross margin on products we control end-to-end — Kapruka-produced cakes, flowers and direct-imported goods — and holding the line on price. Electronics is the deliberate exception, where lower negotiated rates preserve the depth of the choice tree.

**WHY IT MATTERS**

A 4% CAC against a 25% industry norm, a 13-day cash cycle, and a 30%+ take rate are not incremental advantages — they are structural ones. They compound.

— BOARD OF DIRECTORS · 1 OF 5

# The Board.

## Mr. Dulith Herath

**FOUNDER · CHAIRMAN & EXECUTIVE DIRECTOR**

Mr. Dulith Herath is the Founder and Chairman of Kapruka.com, Sri Lanka's largest e-commerce platform, and a pioneering figure in the country's digital commerce landscape. Under his leadership, Kapruka has grown to become the definitive benchmark for e-commerce in Sri Lanka, earning him wide recognition as a transformative force in the nation's technology and entrepreneurship ecosystem.

Mr. Herath's contributions to Sri Lankan entrepreneurship have been recognised through a distinguished series of awards. He was named Sri Lankan Entrepreneur of the Year in both 2010 and 2017, and received the Asia Pacific Young Entrepreneur Award in 2013. In 2017, he was additionally honoured with the CSSL ICT Leader of the Year Award and was selected as an Eisenhower Fellow by the Eisenhower Foundation, USA — a distinction conferred in recognition of exceptional leadership potential.

Prior to founding Kapruka, Mr. Herath built a strong foundation in technology through senior roles in the United States. He served as a Development Specialist at Dell Perot Systems, where he designed software and web applications for DELL clients, and subsequently as an Application Architect at Microsoft, where he led the design and delivery of enterprise applications from inception through to deployment. Mr. Herath holds a Bachelor of Science in Computer Science from the University of Kentucky, USA, which underpins his distinctive ability to integrate deep technical expertise with innovative business strategy.

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## Ms. Anuradha Herath

**NON-EXECUTIVE DIRECTOR**

Ms. Anuradha Herath holds a Bachelor of Commerce from Bangalore University, India, and an MBA from Eastern Kentucky University, USA. Prior to her tenure at Kapruka, she gained experience at the University of Kentucky Federal Credit Union, USA. She is also a successful entrepreneur, having founded Sri Lanka's largest coffee house chain, Java Lounge. With a deep understanding of US-based e-commerce platforms and cross-border e-commerce opportunities, she brings valuable domain expertise to her role. Ms. Anuradha Herath currently serves as a Non-Executive Director of Kapruka Holdings PLC and was reappointed to the Board on 26th September 2022.

Ms. Anuradha Herath has been recognised with numerous prestigious national and international awards. At the Federation of Chambers of Commerce and Industry of Sri Lanka (FCCISL) Awards 2025, she received four distinguished accolades: the Woman Entrepreneur of the Year (National Large Category), the Sri Lankan Entrepreneur of the Year (National Silver Large Category), the Sri Lankan Entrepreneur of the Year (Provincial Gold Large Category), and the Woman Entrepreneur of the Year (Western Province Large Category). She has also been honoured with the Women Entrepreneur Global Award 2023 by Women in Management in Sri Lanka at the Top 50 Professional and Career Women's Awards 2023, and the Women Entrepreneur Recognition Award for the Western Province Large Category by the Women's Chamber of Commerce 2024. Additionally, she has received the Glorious Sirimavians Top 50 Lifetime Award 2023 and the Most Remarkable Sirimavian of the Year Award 2021, both from Sirimavo Bandaranaike Vidyalaya, Colombo 07. She served as the Chairperson of the COYLE Ladies Chapter of the Chamber of Young Lankan Entrepreneurs from 2022 to 2023, demonstrating exceptional leadership and entrepreneurial acumen.

— BOARD OF DIRECTORS · 2 OF 5

## Mrs. Thilangani Herath

**NON-EXECUTIVE DIRECTOR**

Mrs. Thilangani Herath serves as a Non-Executive Director of Kapruka Holdings PLC, bringing over 35 years of entrepreneurial experience to the Board. Her career spans a diverse range of industries — including construction, Feng Shui sciences, healthcare, and education — affording her a multidisciplinary perspective that enriches Board deliberations on governance, organizational culture, and community engagement.

As a founding member of several successful ventures in Sri Lanka, among them the Island Pharmacy chain and Asian International School, Mrs. Herath has demonstrated sustained leadership in building and scaling enterprises across varied sectors. Her depth of experience in human resource management and organizational development further strengthens her capacity to provide broad-based advisory input to the Board.

Mrs. Herath's combination of strategic insight, entrepreneurial acumen, and cultural wisdom positions her as a valued contributor to the long-term sustainable growth of Kapruka Holdings PLC.

## BOARD OF DIRECTORS · 3 OF 5

### Mr. Tishan Subasinghe

**INDEPENDENT NON-EXECUTIVE DIRECTOR**

Mr. Tishan Subasinghe is a distinguished finance and governance leader with over 28 years of professional experience spanning audit, assurance, advisory, and corporate governance. He currently serves as President of the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) for 2026–2027, having served as Vice President from 2024 to 2025 and as a Council Member since 2013.

He is a Fellow Member of CA Sri Lanka, an Attorney-at-Law, and a Certified Information Systems Auditor (CISA – USA). He also holds an MBA in Finance from the University of Colombo, for which he was awarded a subject Gold Medal.

In his professional capacity, Mr. Tishan Subasinghe serves as Managing Director of Moore Consulting (Pvt) Ltd and Joint Managing Partner of Moore Aiyar. His earlier career includes the role of Head of Audit and Assurance at BDO Partners, as well as significant international exposure gained through assignments with PricewaterhouseCoopers (PwC) in New York, Philadelphia, and Botswana.

Mr. Tishan Subasinghe's public service and regulatory contributions are extensive. He is a Board Member of the Sri Lanka Accounting and Auditing Standards Board (SLAASMB) and an ex officio member of the Securities and Exchange Commission (SEC). He has also served on the Presidential Commission on the Simplification of Laws and Regulations, the Central Bank of Sri Lanka's Committee for the Revival of Failed Licensed Finance Companies, and the Council of the University of Moratuwa for over five years.

At the regional level, Mr. Subasinghe has actively contributed to elevating Sri Lanka's standing within the global accounting profession through his roles on the Board and committees of the Confederation of Asian and Pacific Accountants (CAPA) and the South Asian Federation of Accountants (SAFA).

In addition Mr. Tishan Subasinghe serves as an Independent Non-Executive Director on the boards of several publicly quoted companies, including Kapruka Holding PLC, Amana Bank PLC and Samsons International PLC, as well as several other publicly quoted companies.

## — BOARD OF DIRECTORS · 4 OF 5

### Mr. Suresh Subasinghe

**INDEPENDENT NON-EXECUTIVE DIRECTOR**

Mr Suresh Subasinghe is a seasoned technology leader with deep expertise in enterprise architecture, digital transformation, and innovation. Over the course of his career, he has co-founded technology ventures, led transformative digital platforms for Fortune 100 companies, and driven large-scale initiatives across highly regulated industries such as aviation, healthcare, and finance.

Mr Suresh Subasinghe is currently the CEO at Arc75, a San Francisco-based Applied AI Firm he co-founded in 2022. At Arc75, he leads the design and delivery of AI, MarTech, and operational platforms for Fortune 100 clients operating in compliance-intensive sectors.

Previously, Mr Suresh Subasinghe served as the Co-Founder and CTO of GoGetDoc and Thru.AI (2021–2023), where he helped build a digital healthcare platform that reached over a million patients and generated over USD 250 million in revenue.

Earlier in his career, Mr Suresh Subasinghe held several senior technology roles at global enterprises. At Air Canada, he led the development of the airline's Digital and AI Platforms which powers its USD 15 billion e-commerce and loyalty ecosystem. At United Airlines, he served as Chief Architect, overseeing cloud migrations, AI integrations, and digital initiatives, driving USD 45 billion in revenue. He also worked as an Enterprise Architect at Zurich Financial Services, leading technology programs across the US, Switzerland, and the UK.

Mr Suresh Subasinghe holds a Bachelor of Science in Computer Engineering from the University of Utah and an MBA from Duke University's Fuqua School of Business. He also completed the Executive Program in Artificial Intelligence at the Rotman School of Management, University of Toronto.

On July 13, 2023, Mr Suresh Subasinghe was appointed as an Independent Director of Kapruka Holdings PLC. His extensive experience in technology strategy and digital transformation adds significant value to the Board as the Company continues to evolve and grow in the digital age.

## BOARD OF DIRECTORS · 5 OF 5

### Dr. Chamara Bandara

**INDEPENDENT NON-EXECUTIVE DIRECTOR**

Dr. Chamara Bandara is a highly-accomplished Senior Chartered Accountant with over twenty years of experience in financial management, accounting, corporate tax, secretarial practice, audits, and business consulting. He has a proven track record of delivering exceptional results in challenging environments, showcasing outstanding negotiation and problem-solving skills. Dr. Chamara Bandara possesses a unique combination of visionary leadership, entrepreneurial acumen, and a strong commitment to strategic planning and achieving bottom-line results.

As the Founder of Corporate Doctors (Pvt) Ltd. and SCB Corporate (Chartered Accountants), Dr. Chamara Bandara leads successful business ventures offering a wide range of corporate and business services, including strategic planning, accounting process outsourcing, financial restructuring, and audit services. He holds a PhD in Business/Management, is a Chartered Accountant of England and Wales and Sri Lanka, and holds an MBA from the University of Southern Queensland, Australia.

In his current role as Founder/CEO, he oversees business sustainability, strategic planning, customer satisfaction, and service quality. Dr. Bandara is actively involved in professional organisations, serving as President of AAT Sri Lanka and contributing to various committees and initiatives within the industry. He has authored publications and delivered presentations on topics such as business failure, IFRS for SMEs, and business success appraisal. Dr. Chamara Bandara's expertise and leadership have made significant contributions to the field of finance and accounting.

### Mr. Lakshman Abeysekera

**INDEPENDENT NON-EXECUTIVE DIRECTOR · SENIOR INDEPENDENT DIRECTOR**

Mr. Lakshman Abeysekera is the Chairman and Director General of the National Enterprise Development Authority (NEDA), functioning under the Ministry of Industries and Entrepreneurship Development. He is a distinguished Senior Chartered Accountant with over 30 years of experience spanning both the public and private sectors. He is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka, AAT Sri Lanka, and CMA Sri Lanka. Additionally, he holds an MBA from the Institute of Postgraduate Management, University of Sri Jayewardenepura.

With extensive expertise in Corporate Governance, Strategic Planning and Implementation, Finance, Enterprise Development and Business Management, he has held prominent positions in public institutions, leading private enterprises and also has successfully established several thriving business ventures in Sri Lanka.

He has previously served as the Chairman of SDB Bank and the Rubber Research Board of Sri Lanka. Currently, he contributes as a Member of the Consultative Panel at the Sri Lanka Inventors Commission, a Member of the Advisory Committee on Agriculture and Food Security at the International Chamber of Commerce (ICC) Sri Lanka, and as a Director of Kapruka Holdings PLC and Kegalle Plantations PLC. He also serves as the Chairman of the CA Sri Lanka SME Task Force.

He has a long-standing commitment to MSME development and has volunteered extensively with the National Enterprise Development Authority (NEDA) on initiatives such as the SMEConnect.lk platform, Brain-into-Business Program, Regional Development Programs, and various other projects.

— SENIOR MANAGEMENT

# The management team.

The senior team responsible for translating strategy into daily execution across commerce, technology, production, cross-border operations and finance.

Mr. Suresh Eranda
General Manager

Mr. Akila Thalpawila
Deputy General Manager

Mr. Damitha Gunawardhana
Assistant General Manager

Mr. Manjula Kumara
Head of Finance

Ms. Gayathri Banneheka
Head of IT

Mr. Chamath De Silva
Finance Controller

Ms. Harshani Chandraratne
Senior Manager — Product and Business Development

Mr. Chathura Athukorala
Senior Manager — Kapruka Productions

Ms. Buddhika Chathurangi
Senior Manager — Customer Care and Quality Assurance

## — SENIOR MANAGEMENT · CONTINUED

### Mr. Janaka Gunasekara
Senior Manager — Business Intelligence and Systems

### Mr. Chanaka Perera
Senior Accountant

### Mr. Jayanga Fernando
Senior Manager — Procurement

### Ms. Tharakie Kandumulla
Manager — Human Resources

SECTION FOUR

# Creating the Inflection.

## *Management Discussion & Analysis*

*Operating environment, strategic direction, stakeholder engagement, materiality & risk, and the segment-by-segment MD&A.*

— OPERATING ENVIRONMENT

# A stabilising macro, an evolving customer, accelerating AI.

### SRI LANKA — DOMESTIC

The Sri Lankan economy continued its post-crisis recovery through FY26 — inflation moderated, policy rates declined, and disposable income improved at the margin. Consumer discretionary spend recovered selectively, with gifting categories and high-frequency essentials leading. The rupee was meaningfully more stable than the prior two years.

### DIASPORA & CROSS-BORDER

The Sri Lankan diaspora — concentrated in the US, UK, Australia, Canada and the Middle East — remained a structurally resilient customer base. Diaspora-led gifting volumes grew through the year, supported by improved payment routing via Kapruka USA LLC and the launch of UK-domiciled fulfilment through Kapruka Global UK Ltd.

### AI CAPABILITY LANDSCAPE

Foundation-model capability climbed steadily while inference cost fell. The economics of AI-augmented operations moved decisively in favour of platforms with proprietary workflow data — a category to which Kapruka, with two decades of operational data, naturally belongs.

### SECTORAL DYNAMICS

The Sri Lankan e-commerce sector continued to consolidate around platform players with native logistics and payment capability. Mobile penetration and digital-payment adoption both edged higher; cross-border friction remained the principal barrier to scale for diaspora-focused models — a barrier we have spent two years building infrastructure to overcome.

### REGULATORY BACKDROP

Income tax rates remained at 30% across all Sri Lanka–resident Group companies under the Inland Revenue Act No. 24 of 2017. Offshore subsidiaries are taxed at 21% (US) and 19–25% (UK). Transfer-pricing compliance was maintained throughout the year.

IMPLICATION FOR KAPRUKA

*A diversified, multi-currency, AI-augmented platform is by design less exposed to any single market's cycle. FY26 demonstrated this in the segment mix and the income statement.*

— STRATEGIC DIRECTION

# Six priorities for the next phase.

01 **Compound the marketplace**

Continue onboarding partners to Partner Central; deepen integration with leading Sri Lankan brands; widen catalogue without widening inventory exposure.

02 **Scale Services**

Expand verified-provider supply; widen category mix beyond IT and professional services; convert a transactional customer base into a recurring services one.

03 **Build Cross-Border**

Deepen Amazon US, UK, Canada operation; add a third operating jurisdiction by FY28; push USD revenue toward a structural share of Group revenue.

04 **AI to 40% back office**

Sustain the engineering roadmap; deliver the 40% back-office automation target; reinvest savings into the next automation wave.

05 **Insulate the cost base**

Complete the EV fleet conversion; deepen energy-cost insulation; structurally reduce FX exposure through Cross-Border USD revenue mix.

06 **Capital discipline**

Maintain D/E in 25–35% band; deploy remaining IPO funds against original objectives; return capital when incremental ROIC drops to cost of capital.

# Value Creation Model

How the six capitals flow through the Kapruka platform — and what each stakeholder group receives at the other end. The distinguishing feature of the FY2025/26 model is that **AI now sits inside the transformation layer** rather than alongside it: the same inputs produce more output because the process itself has changed.

Capital inputs ▸ Business activities (AI in the transformation layer) ▸ Outputs ▸ Outcomes for stakeholders

| | INPUTS | ACTIVITIES & TRANSFORMATION | OUTPUTS | OUTCOMES |
|---|---|---|---|---|
| Financial | Rs 827.3 Mn equity · Rs 262.1 Mn interest-bearing debt · 90% of IPO proceeds deployed | Working-capital discipline · debt reduction · capital allocation to asset-light engines | Rs 1,927.1 Mn revenue · Rs 742.2 Mn gross profit · Rs 12.0 Mn profit for the year | Return to profitability · share price 3× · NAV/share Rs 5.04 |
| Human | 236 employees · 6 entities · 25 departments · 79 new recruits | AI-workflow training · structured onboarding · performance management · engagement programmes | Automation literacy across order approval, messaging, invoicing and reconciliation | Career progression · merit-based pay · 25.4% female participation |
| Digital | Proprietary single platform · Mirihana fulfilment centre · ERPNext ERP · 43 owned vehicles | Platform engineering · AI across operations · last-mile routing · EV conversion Stage 1 | 200,000+ products · 30+ services · five countries · island-wide same/next-day delivery | Reliable fulfilment · lower per-delivery cost · reduced fuel exposure |
| Intellectual | Kapruka Tech Root IP · Partner Central engine · Services Platform · 24-year brand | In-house R&D · agentic AI development · trade-secret protection · university collaboration | AI-supported seller onboarding · personalised discovery · intelligent order screening | Durable competitive advantage · NBQSA and WSIS recognition |
| Social & relationship | 1.2 Mn registered customers · 500+ brands · 6+ major brand alliances · diaspora base | 30-day supplier credit · free partner fulfilment · category-team support · signature bundling | Marketplace access for SMEs and women-led enterprises · nationwide reach for partners | Inclusive economic participation · supplier liquidity · customer trust and repeat purchase |
| Natural | 159,787 L petrol · ~341,594 kWh electricity · ~9,482 m³ water · ~103,541 packaging units | First SLFRS S1/S2 baseline · EV Stage 1 · packaging measurement · route optimisation | ~541 tCO2e Scope 1+2 quantified · 2.06 tCO2e per employee · packaging baseline established | Measurable environmental accountability · foundation for reduction targets |

THE MECHANISM

**Revenue grew 16.6% while cost of sales grew 7.7%. That gap is the value creation model working: AI in the transformation layer means additional output no longer requires proportional additional input.**

— STAKEHOLDER ANALYSIS

# Six groups. *Six listening rhythms.*

Stakeholder analysis is the structured process through which Kapruka Holdings PLC identifies, understands and prioritises the individuals and groups who influence, or are influenced by, its operations. For a customer-facing business operating in Sri Lanka's fast-evolving e-commerce sector, this discipline is fundamental to how we set strategy, allocate resources and measure success. A structured approach to stakeholder analysis supports the Group in several ways: For Kapruka it is more than a compliance exercise — it is a framework for aligning the Group's growth ambitions with the values and expectations of those it serves and depends upon.

01

### Clarifying expectations

Understanding the distinct needs, priorities and concerns of each group — from shareholders and customers to community partners and small entrepreneurs.

02

### Strengthening relationships

Recognising the relative influence and interest of each group allows the Company to design engagement strategies that build trust and long-term loyalty.

03

### Guiding decision-making

Insights from stakeholder analysis inform business strategy, helping the Group balance financial performance with social responsibility.

04

### Mitigating risk

Identifying gaps or potential conflicts in stakeholder expectations allows issues to be managed proactively, before they escalate.

05

### Protecting reputation

Responsiveness to stakeholder needs strengthens brand credibility, which remains a key differentiator in an industry built on customer trust.

## STAKEHOLDER IDENTIFICATION AND ANALYSIS

### SHAREHOLDERS, INVESTORS & FINANCIAL INSTITUTIONS

*Role & interest:* provide the capital that funds the Group's growth and expect sustainable returns through profitability, share price appreciation and dividends.

**What they expect from Kapruka:** consistent revenue growth and market share growth; transparent financial reporting and sound governance; long-term sustainability in a competitive market; effective risk management and organisational resilience.

**How we engage:** regular disclosures through annual reports, CSE announcements and investor briefings; clear communication of strategy on category expansion, technology investment and market share; structured quarterly reporting and a comprehensive Annual Report.

### EMPLOYEES

*Role & interest:* deliver operational excellence across technology, logistics, customer service and product sourcing — the people who power the platform.

**What they expect from Kapruka:** job security and fair compensation; professional development and clear career progression; a healthy, inclusive work culture; employee wellbeing and a sustainable work-life balance.

**How we engage:** structured training in e-commerce technology and customer service; recognition programmes and regular performance reviews; internal communication channels that encourage feedback and collaboration.

### CUSTOMERS

*Role & interest:* purchase products and services through the platform, seeking quality, convenience and trust in every transaction.

**What they expect from Kapruka:** reliable delivery and secure payment options; a wide range including exclusive Sri Lankan and international brands; transparent, fair pricing; efficient and responsive customer service.

**How we engage:** continuous improvement of website and app usability and payment security; hotlines and live chat support; digital platforms enabling regular two-way interaction; loyalty programmes and seasonal promotions.

### BUSINESS PARTNERS — SUPPLIERS & MERCHANTS

*Role & interest:* provide the products, services and logistical support that underpin order fulfilment across the platform.

**What they expect from Kapruka:** fair commercial terms and timely payments; a reliable digital platform for product visibility and sales; clear, proactive communication on demand trends.

**How we engage:** transparent partner agreements; data analytics support to help partners optimise inventory; collaboration on joint promotional campaigns.

### COMMUNITY & SOCIETY

*Role & interest:* benefit indirectly from Kapruka's contribution to employment, economic activity and social development across Sri Lanka.

**What they expect from Kapruka:** meaningful CSR programmes; demonstrable support for sustainable business practices; investment in community development.

**How we engage:** e-commerce initiatives that promote local industry, including small and rural producers; environmental considerations embedded in packaging and delivery; prominent platform placement for community-linked products and storytelling campaigns; partnerships with NGOs and disability advocacy groups.

### GOVERNMENT & REGULATORY BODIES

*Role & interest:* set and oversee the legal, tax and regulatory environment within which the Group operates, including company law, e-commerce, consumer protection, data protection and exchange control requirements.

**What they expect from Kapruka:** full compliance with applicable laws, regulations and licensing requirements; accurate and timely tax filings and statutory reporting; transparent engagement on matters of public interest including data protection and consumer rights.

**How we engage:** timely tax filings and statutory submissions; regular engagement and site visits with regulatory authorities; proactive monitoring of, and adaptation to, regulatory developments affecting the Group's operations.

## STAKEHOLDER MATRIX

The matrix maps each group by relative influence over the Group and their level of interest in its activities, guiding how engagement is prioritised across the organisation.

| Stakeholder groups | Influence | Interest | Key engagement focus |
|---|---|---|---|
| **Shareholders, investors & financial institutions** | High | High | Financial returns, transparency, governance |
| **Employees** | Medium | High | Career growth, fair treatment, wellbeing |
| **Customers** | High | High | Service quality, trust, value |
| **Business partners (suppliers & merchants)** | Medium | Medium | Fair commercial terms, collaboration |
| **Community & society** | Low–Medium | Medium | CSR, sustainability, local economic impact |
| **Government & regulatory bodies** | High | High | Regulatory compliance, transparency |

Groups positioned in the high-influence, high-interest quadrant — shareholders and investors, customers, and government and regulatory bodies — receive the most intensive and frequent engagement, supported by structured reporting, dedicated communication channels and regular dialogue. Other groups are engaged through targeted, proportionate channels reflecting their specific interests and the nature of their relationship with the Group.

# Materiality

At Kapruka Holdings PLC, transparency, trust, and informed decision-making sit at the heart of how we manage our business. Identifying and reporting on material matters — those issues that most significantly affect our ability to create value — is integral to our strategy and to the long-term interests of our stakeholders. Determining and reporting on material matters is not simply a regulatory requirement; it is a cornerstone of how the Group operates. By systematically identifying, evaluating and prioritising the issues that matter most, we ensure our actions remain aligned with our values, our strategic priorities and the expectations of those who depend on us. This discipline strengthens our governance foundation, sharpens performance, and reinforces trust — enabling Kapruka to create sustainable value and a lasting impact on the communities it serves.

The materiality process generates insights that guide decision-making and help the Group navigate both the challenges and opportunities of a dynamic operating environment. By focusing on what matters most, we are better positioned to respond proactively to the needs of our customers, employees, investors and wider society, while remaining grounded in our core principles of integrity, innovation and growth.

## MATERIALITY ASSESSMENT PROCESS

Kapruka follows a structured, repeatable methodology to assess the matters most critical to the business and its stakeholders.

01

### Topic identification

Reviewing the business model, strategic priorities, sector trends, and peer and regulatory benchmarks to develop an initial list of potentially material topics.

02

### Stakeholder engagement

Gathering input from key stakeholder groups, including shareholders, employees, customers, business partners and regulators, on which topics they consider most significant.

03

### Impact evaluation

Assessing each topic against impact on the Company (financial and operational significance) and on stakeholders (degree of concern and influence on decisions).

04

### Prioritisation & validation

Ranking topics by combined significance and validating the resulting list with the Group Executive Management Committee and the Board.

05

### Ongoing review

Reassessing material topics at least annually to reflect changes in the business, stakeholder expectations and the external environment.

THE DISCLOSURE PRINCIPLE

**Topics assessed as high impact on both the Company and its stakeholders — financial stability, governance, customer satisfaction, operational excellence — receive the closest management attention and the most detailed disclosure within this report.**

## MATERIAL TOPICS AND IMPACT

The table sets out the material topics identified for Kapruka Holdings PLC, their impact on the Company and its stakeholders, and how each links to the Group's strategic priorities.

| Material topic | Impact on the Company | Impact on stakeholders | Link to strategy |
|---|---|---|---|
| **Financial stability** | High — underpins long-term viability | High — builds confidence in financial health | Growth & Stability |
| **Economic value created** | High — demonstrates contribution to the economy | High — benefits from growth and job creation | Economic Development |
| **Good governance** | High — enhances transparency and accountability | High — builds trust and credibility | Corporate Integrity |
| **Employee well-being** | High — improves productivity | High — ensures employee satisfaction | Human Capital Growth |
| **Customer satisfaction** | High — drives loyalty and repeat business | High — delivers quality and positive experience | Customer Centricity |
| **On-time delivery** | High — enhances reputation and customer trust | High — ensures timely access to products | Operational Excellence |
| **Innovation** | High — fosters competitiveness | High — benefits from new products and solutions | Product Leadership |
| **Technology advancement** | High — increases operational efficiency | High — access to cutting-edge digital solutions | Digital Transformation |
| **Operational efficiency** | High — reduces costs | High — enables better services and products | Cost Optimisation |
| **Sustainable packaging** | Medium — demonstrates environmental responsibility | Medium — contributes to a healthier environment | Sustainability |
| **Regulatory compliance** | High — maintains compliance with applicable rules | Medium — protects stakeholders' ethical interests | Governance & Risk |
| **Market presence** | High — increases visibility and brand recognition | High — improves investor confidence | Brand Leadership |

By consistently identifying and reporting on the matters that affect both Kapruka and its stakeholders, the Group reaffirms its commitment to transparency and responsible management — ensuring that it continues to create long-term value and strengthen relationships with all those it serves.

— MANAGEMENT DISCUSSION & ANALYSIS

# A segment-by-segment *view.*

*FY26 Group revenue of Rs 1.93 billion was the net of four operating realities — a recovering e-commerce segment, a maturing cross-border arm, steady production growth, and a turning web-services tail.*

| E-COMMERCE | CROSS-BORDER | PRODUCTION | WEB SERVICES |
|---|---|---|---|
| 1,689 M | 243 M | 195 M | 39 M |
| ▲ +16% | ▲ +30% | ▲ +1% | ▲ +24% |

Audited segment revenues for FY26, before consolidation adjustments of Rs (238.2) Mn. Source: Note 32 — Industry Segment Information.

— SEGMENT PERFORMANCE

# Segment performance · Group.

For the quarter and year ended 31 March 2026 · LKR

| | Q4 — three months | | Year ended | |
|---|---|---|---|---|
| | FY26 | FY25 | FY26 | FY25 |
| **Segmental revenue** | | | | |
| E-Commerce | 479,070,142 | 445,834,750 | 1,688,719,570 | 1,460,042,097 |
| Production | 47,851,991 | 50,356,036 | 194,589,532 | 192,642,638 |
| Web services | 9,956,560 | 7,785,000 | 38,953,002 | 31,289,725 |
| Cross-Border operations | 69,592,043 | 63,301,760 | 243,117,652 | 187,553,464 |
| Consolidation adjustments | (58,931,172) | (106,880,229) | (238,243,543) | (219,284,903) |
| **Total revenue** | **547,539,564** | **460,397,317** | **1,927,136,213** | **1,652,243,022** |
| **Segmental profit / (loss) before tax** | | | | |
| E-Commerce | 34,643,277 | (21,873,221) | 51,485,967 | (67,611,938) |
| Production | (8,327,830) | (5,004,435) | (21,502,061) | (19,030,841) |
| Web services | 846,586 | (823,192) | 2,814,582 | (4,456,258) |
| Cross-Border operations | (4,907,804) | (9,632,480) | (5,686,625) | (25,919,987) |
| **Group PBT** | **22,254,230** | **(37,333,328)** | **27,111,862** | **(117,019,024)** |

Full-year segment figures per note 32 — Industry Segment Information. Q4 figures per the FY26 fourth-quarter interim report.

### E-COMMERCE — TURNED PROFITABLE IN Q4

Q4 segment PBT of **Rs 34.6 Mn** (vs Rs 21.9 Mn loss the prior year) is the single most important data point in this table. It is the first quarter the marketplace shift translated to segment-level profitability — and the engine of the Group return to profit.

### CROSS-BORDER — LOSS NARROWING

Q4 segment loss of **Rs 4.9 Mn** against Rs 9.6 Mn the prior year reflects fixed-cost absorption across rising volume. The unit economics trajectory is favourable; we expect contribution to turn positive as Amazon UK matures.

SECTION FIVE

# Sustaining the Inflection.

*Performance through the lens of the six capitals — financial, manufactured, human, intellectual, social and natural.*

# Financial capital.
# *A definitive return to profitability.*

Financial capital represents the funds generated through operations, financing activities and retained earnings that enable Kapruka Holdings PLC to invest, innovate and deliver value to stakeholders. It is the foundation that supports the expansion of our service portfolio, technology platforms, cross-border operations and the infrastructure required to scale sustainably. FY2025/26 marked an important financial inflection. Revenue returned to growth, gross margins strengthened materially and the Group returned to profitability after the loss recorded in the preceding year. At the same time, interest-bearing borrowings declined, improving the capital structure. The next phase is to convert this earnings recovery into stronger recurring operating cash flows.

## FINANCIAL CAPITAL AT A GLANCE

| GROUP REVENUE | GROSS PROFIT | OPERATING PROFIT |
|---|---|---|
| 1.93 Bn | 742.2 M | 4.6 M |
| ▲ +17% · from 1.65 Bn | ▲ +34.3% | ▲ From (146.9) M loss |

| PROFIT BEFORE TAX | PROFIT FOR THE YEAR | EPS |
|---|---|---|
| 27.1 M | 12.0 M | 0.07 Rs |
| ▲ From (117.0) M loss | ▲ From (142.4) M loss | ▲ From (0.87) deficit |

## PERFORMANCE OVERVIEW

For the financial year ended 31 March 2026, the Group recorded revenue of LKR 1.93 billion, up 16.6% from LKR 1.65 billion in FY2024/25 — continuing a three-year revenue pattern that saw a dip in FY2024/25 before this year's recovery. At the Company level, revenue grew 5.4% to LKR 210.6 million. Company profit before tax rose 85% to LKR 89.8 million and profit for the year rose to LKR 75.5 million, continuing the Company's stronger standalone profitability relative to the wider Group.

The fourth quarter alone illustrates the pace of the turnaround: quarterly revenue grew 19% year-on-year to LKR 547.5 million, gross profit expanded 39% to LKR 215.5 million, and operating profit swung to LKR 10.2 million from an operating loss of LKR 42.8 million in the prior-year quarter.

## COMPOSITION OF OPERATING EXPENSES

Cost of sales represents the largest share of Group operating expenses, reflecting the scale of e-commerce and production operations, followed by administrative expenses and selling and distribution costs. Cost of sales grew more slowly than revenue during the year (7% versus 17% revenue growth) — the principal driver of this year's gross margin expansion.

## SEGMENT CONTRIBUTION

E-Commerce was the standout contributor, delivering full-year segmental profit before tax of LKR 51.5 million against a loss of LKR 67.6 million the prior year. Web Services also turned profitable, contributing LKR 2.8 million. Production (LKR 21.5 million loss) and Cross Border Operations (LKR 5.7 million loss) narrowed or continued to carry losses, representing areas for continued focus.

## REVENUE DYNAMICS

Revenue growth was driven by a deliberate two-year restructuring that reweighted the Group toward asset-light, higher-margin revenue streams: the continued scaling of Kapruka Partner Central as a marketplace that adds revenue without adding inventory risk; the launch of the Kapruka Services Platform, extending the business into bookable digital services; and continued growth in USD-denominated Cross Border revenue through Amazon US, UK and Canada.

The embedding of AI across customer service, product discovery, content generation, supply chain and back-office processing was the most significant strategic driver of the year — positioning the Group to scale revenue without proportionally scaling headcount or fixed costs.

## LIQUIDITY, WORKING CAPITAL & CASH FLOW

Operating cash flow improved materially, with the net cash outflow from operating activities narrowing to LKR 80.1 million from LKR 124.8 million, driven by the swing to operating profit before working capital changes (a loss of LKR 9.0 million, versus a loss of LKR 141.4 million in FY2024/25). Investing activities generated a net inflow of LKR 95.8 million, primarily from the withdrawal of LKR 99.2 million in short-term investments. Financing activities used LKR 27.2 million net — new borrowings of LKR 52.75 million offset by loan and lease repayments of LKR 80.0 million combined. Cash and cash equivalents closed the year at LKR 46.4 million, up from LKR 24.1 million.

## RISK FACTORS & SENSITIVITIES

Key financial risks include exchange-rate volatility affecting USD-denominated Cross Border and diaspora revenue; domestic inflation affecting consumer purchasing power; interest-rate movements affecting finance income and borrowing costs; and regulatory change in cross-border e-commerce compliance and taxation. The growing USD revenue base provides a partial structural hedge against local currency volatility, while continued debt reduction lowers sensitivity to interest-rate movements.

## BALANCE SHEET STRENGTH

TOTAL ASSETS

1,486.2 M

▲ From 1,470.7 M

TOTAL EQUITY

827.3 M

▲ From 812.7 M

INTEREST-BEARING DEBT

262.1 M

▼ –11.8% · from 297.1 M

NET ASSETS / SHARE

5.04 Rs

▲ From 4.95

Accumulated losses narrowed to LKR (112.7) million from LKR (122.0) million as the Group returned to profit. Property, plant and equipment remains the largest asset category, followed by investment properties and inventories. The retirement benefit obligation increased to LKR 46.5 million (from 35.7 million) and net deferred tax liability to LKR 81.6 million (from 73.7 million), both consistent with a growing, increasingly profitable operating base.

## SHARE PERFORMANCE & MARKET CONFIDENCE

SHARE PRICE · 31.03.2026

23.80 Rs

▲ 3× · from 7.90

MARKET CAPITALISATION

3.91 Bn

▲ From 1.30 Bn

The share price more than tripled during the year, reflecting renewed investor confidence in the Group's return to profitability and its AI-led growth strategy. As at 31 March 2026, approximately 90% of IPO proceeds have been utilised against prospectus objectives, with LKR 50 million remaining allocated to the Personal Cargo Collection and Delivery objective, not yet utilised.

## LOOKING AHEAD — FY2026/27 FINANCIAL PRIORITIES

· Scaling AI-driven back-office automation toward ~40%, lowering unit costs as volumes grow
· Growing Partner Central and the Services Platform as asset-light, margin-accretive streams
· Expanding Cross Border USD revenue through Amazon US, UK and Canada
· Completing the multi-quarter electric vehicle fleet conversion to de-risk fuel and maintenance costs
· Returning Production and Cross Border Operations to segmental profitability
· Converting the operating turnaround into sustained, compounding profitability

# Human Capital.
## *Our People, Powering the Inflection.*

People are at the heart of Kapruka's growth story. As Sri Lanka's largest e-commerce platform, Kapruka recognises that building and sustaining a skilled, motivated and engaged workforce is fundamental to delivering on its strategic objectives. The Group's human capital strategy rests on four pillars: talent acquisition and retention, employee development, diversity and inclusion, and employee well-being, detailed further below.

In last year's report, Kapruka acknowledged that formal digital training platforms were not yet in place, and set out plans to build employee capability for AI-supported workflows. This year, that commitment has been delivered: employees across the Group have been trained to work directly alongside automated systems spanning order approval, customer messaging, invoicing and payment reconciliation.

EMPLOYEES · 31.03.2026

236

Across six Group entities and 25 departments

WOMEN IN THE WORKFORCE

25.4 %

Highest at Kapruka Holdings PLC: 53.1%

UNDER 40 YEARS OF AGE

76.7 %

A young, digital-first workforce profile

NEW RECRUITS · FY26

79

Majority aged 20–30 · early-career digital & operational talent

VOLUNTARY RESIGNATIONS · FY26

98

Concentrated in operational & delivery-facing roles, ages 20–29

ENTITIES COVERED

6

E-Commerce · Holdings · Productions · Tech Root · Global Shop · Ventures

### WORKFORCE OVERVIEW

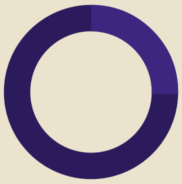
**Gender composition.** Women represent 25.4% of the Group's total workforce, with the highest representation at Kapruka Holdings PLC (53.1%) and Kapruka Global Shop (100%, single employee).

**Age profile.** The workforce skews young, with 76.7% of employees under 40 — consistent with the digital-first, operationally intensive nature of the Group's e-commerce and logistics functions.

The workforce spans e-commerce operations, production, technology, cross-border trade, and corporate functions across Kapruka E-Commerce (Pvt) Ltd, Kapruka Holdings PLC, Kapruka Productions (Pvt) Ltd, Kapruka Tech Root (Pvt) Ltd, Kapruka Global Shop (Pvt) Ltd, and Kapruka Ventures (Pvt) Ltd. The Group recognises workforce retention, particularly among early-career and operational staff, as a key human capital priority for the year ahead, and intends to commission a formal employee engagement survey and root-cause analysis to inform a targeted retention programme.

# Workforce composition, recruitment and turnover.

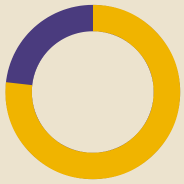
GENDER COMPOSITION



25.4% Women

74.6% Men

AGE PROFILE



76.7% Under 40 years

23.3% 40 years and over

## RECRUITMENT, FY2025/26

79 new employees recruited across the Group during the year. The large majority of new recruits were aged between 20 and 30, reflecting the Group's continued focus on building early-career digital and operational talent.

## WORKFORCE TURNOVER

98 voluntary resignations recorded across the Group during the year. Resignations were concentrated in operational and delivery-facing roles at Kapruka E-Commerce, and predominantly among employees aged 20 to 29. The Group recognises workforce retention, particularly among early-career and operational staff, as a key human capital priority for the year ahead, and intends to commission a formal employee engagement survey and root-cause analysis to inform a targeted retention programme.

## TALENT ACQUISITION & RETENTION

Kapruka employs a multi-channel recruitment strategy to attract talent in the competitive e-commerce and technology sectors, drawing on professional networking platforms including LinkedIn and leading online job portals such as TopJobs and Express Jobs. Employee referral programmes complement these efforts, enabling existing team members to recommend candidates aligned with the Company's culture and values, while AI-powered screening tools help streamline candidate evaluation and selection. Recruitment channels also extend to social media platforms including Facebook and TikTok and the Company's internal career page, complemented by partnerships with educational institutions — including the AAT Institute and career-fair collaborations with NSBM and City Careers — that support the early-career talent pipeline.

Retention is given equal priority, supported by competitive compensation and benefits, structured performance management, and clear pathways for career advancement. Employee contributions are recognised through salary increments, bonuses and merit-based progression, underpinned by continuous feedback, an open-door management culture, and regular one-to-one and survey-based feedback mechanisms.

## EMPLOYEE DEVELOPMENT & TRAINING

Structured training programmes are designed around both business requirements and individual development needs, encompassing orientation and onboarding for new employees as well as role-specific training across functions including delivery operations, customer care, and procurement. On-the-job mentoring by supervisors and senior team members forms an integral part of the development approach, supplemented by regular feedback discussions that help employees identify strengths, address development areas, and establish clear career goals.

## DIGITAL SKILLS & CAPABILITIES

Recognising the centrality of digital competency to e-commerce operations, Kapruka invests in building digital skills across its workforce, with targeted training on the core systems underpinning its operations, including order management, inventory platforms, and the HRIS. As the Group continues to advance its automation capabilities, employees are trained to work effectively alongside automated systems, including:

- Order Approval Automation
- Order Status WhatsApp Messaging Automation
- Sales Invoice to ERP Automation
- Payment Reconciliation Automation

Employees in operations, marketing and management roles are further encouraged to use data dashboards and analytics tools, embedding a culture of data-driven decision-making across the organisation.

### LOOKING AHEAD

Building on this year's workforce data, Kapruka's human capital priorities for the year ahead are to:

- Commission a Group-wide engagement survey with root-cause analysis of voluntary turnover, particularly within operational and delivery-facing roles
- Develop a targeted retention programme: career pathways, benefits review, management development
- Continue building digital and automation literacy across the workforce as the Group's AI-across-operations programme scales
- Reconcile workforce reporting definitions across the Annual Report and Sustainability Disclosure to ensure consistent headcount and turnover figures Group-wide
- Build on this year's automation training delivery by extending digital and AI-workflow literacy further across operational and delivery-facing roles, where turnover is currently highest

## DIVERSITY & INCLUSION

Kapruka is committed to building a diverse, inclusive and equitable workplace. Recruitment and selection processes are structured to be fair, transparent and merit-based, with standardised interview and evaluation criteria applied consistently across all roles. Appointments are made solely on the basis of qualifications, skills and experience, with no discrimination on grounds of gender, ethnicity, religion or background.

The effectiveness of diversity practices is monitored through workforce composition analysis across departments and levels, periodic engagement surveys assessing perceptions of fairness and inclusion, and ongoing tracking of recruitment and promotion data. All employees have equal access to training, leadership development and career advancement, ensuring women and employees from underrepresented groups are supported in their professional growth on an equitable basis.

The Company promotes a collaborative culture in which employees work across departments and disciplines, and in which any form of discrimination or harassment is actively discouraged through internal policies and conduct guidelines.

## EMPLOYEE WELL-BEING & ENGAGEMENT

Kapruka places significant emphasis on the holistic well-being of its employees, recognising that a healthy, engaged workforce is essential to sustained organisational performance. The Company promotes a workplace culture grounded in respect, open communication and mutual support, with employees encouraged to raise work-related concerns with their supervisors or the Human Resources Department, and managers expected to provide regular guidance to help employees manage workplace pressures effectively. Leave entitlements are provided in accordance with applicable labour regulations and Company policies, with workloads monitored to help employees manage operational demands alongside personal well-being.

Engagement is fostered through transparent communication between employees and leadership; team-based and cross-functional projects that promote knowledge-sharing and cooperation; annual gatherings, wellness initiatives, Women's Day programmes and team celebrations; and the alignment of individual and departmental goals with the Group's strategic objectives. Kapruka remains committed to maintaining a workplace that is safe, inclusive and free from discrimination and harassment, ensuring that every employee is treated with fairness, dignity and professional respect.

# Digital Capital.
# *The Digital Backbone Powering the Inflection.*

FY2025/26 completed a deliberate two-year restructuring that reweighted the business toward asset-light revenue and laid the technology foundation for the Group's next phase of growth. Digital is not a channel for Kapruka — it is the entire business model. The year marked an inflection point, with the Group positioning itself as an AI-powered digital commerce ecosystem and returning to profitability, supported by a proprietary single platform serving over 200,000+ products and more than 30 services across five countries.

## DIGITAL INFRASTRUCTURE & PLATFORM ARCHITECTURE

The Group's proprietary single platform underpins commerce, payments and logistics natively, with the 2023 Mirihana fulfilment centre consolidating operations. Engineering priorities during the year centred on read-optimised catalogue performance, caching, and idempotent, auditable order and payment processing — ensuring every transaction remains consistent and fully traceable as volumes scale.

Order management is integrated with the ERPNext ERP, mapping storefront sales orders to ERP sales orders, delivery and invoicing — including service-fee handling and stock updates — so the storefront and back office reference consistent records throughout the order lifecycle.

## DIGITAL STRATEGY & TRANSFORMATION

Headline digital initiatives of the year: embedding AI across operations, launching the Kapruka Services Platform, scaling Partner Central as an asset-light marketplace, growing cross-border USD revenue on Amazon US, UK and Canada, and beginning conversion of the delivery fleet to electric vehicles. Back-office automation, targeted at approximately 40% over the coming quarters, is expected to drive operating leverage as volumes grow. Customers can now obtain order status and updates through AI-assisted channels, including an AI support agent on WhatsApp and Messenger — reducing manual support load while improving responsiveness. This work builds on Kapruka's award-winning Sinhala-language generative-AI capability (NBQSA 2023).

## AI-ENABLED CUSTOMER EXPERIENCE

A range of AI-enabled tools was introduced during the year to enrich the shopping experience and improve commercial performance, consistent with the rebrand's 'personalised solutions' direction.

| Tool / capability | Application | Impact |
|---|---|---|
| **Contextual upselling & cross-selling** | AI-generated product suggestions | Supports higher average order value |
| **AI-powered SEO** | Identifies optimisation opportunities | Improves how easily products and categories are found |
| **AI content & FAQ generation** | Faster product content and self-service answers | Improves relevance and reduces response times |
| **Re-engagement signals** | Surfaces at-risk, drop-off customers | Supports targeted recovery of lost conversions |
| **Rebuilt product search** | Faster, more relevant search results | Reduces friction in product discovery |

A broader integration with Partner Central significantly increased the number of products available on the storefront, while the mobile app was kept fresh and seasonally relevant through dynamic app icons aligned to major annual events. The cart-to-checkout login flow was restructured to make the path to purchase clearer and reduce friction. Together with the launch of the Kapruka Services Platform — which broadened the offering into bookable digital services on the same customer network — these tools made the overall shopping experience more relevant, convenient and responsive.

## MARKETING & CHANNEL EVOLUTION

During the year, digital marketing evolved from a predominantly paid-advertising model into a more balanced approach spanning search visibility, organic content, community engagement, paid-advertising optimisation and AI-driven discovery. A detailed website audit identified technical, content and ranking issues, and the resulting improvements strengthened organic search performance — reinforced by AI-assisted detection of optimisation opportunities and a renewed focus on video and blog content to build experience, expertise, authority and trustworthiness — supporting both organic rankings and the likelihood of the brand being referenced by AI-powered search platforms.

Google Ads remained the primary paid conversion channel, with attribution reporting used to understand each channel's role in the customer journey — confirming, for example, the value of Facebook in maintaining brand recall — and budget re-allocated accordingly. Bing was tested and discontinued once it proved to deliver low returns; Snapchat has been identified as a potential future channel for younger audiences. WhatsApp and Messenger were deepened as direct engagement channels for community-building, order updates and repeat purchases.

Looking ahead, Kapruka has also begun preparing its website to be discoverable by AI and large-language-model platforms: analysis of order journeys identified visits and purchases originating from sources such as ChatGPT and other AI-assisted tools, and content is being optimised so the brand appears for relevant AI-driven queries.

## DATA MANAGEMENT, SECURITY & PRIVACY

Customer data is protected through authenticated, role-based access, server-side input validation, and defences against common web vulnerabilities such as cross-site scripting and cross-site request forgery on state-changing actions. Payments are processed through integrated payment gateways, keeping sensitive cardholder handling within the gateway's secured environment, with order and payment flows kept idempotent and auditable. As a CSE-listed company, the Kapruka Group of companies is audited by Ernst & Young, Chartered Accountants, and operates within a formal governance, internal-control and risk-management framework; the expanding use of AI increases the importance of responsible data handling. Digital performance is increasingly monitored through attribution reporting and enhanced platform reporting across shopping and logistics, alongside core operational signals such as orders placed, payment-failure rates and stock or fulfilment issues.

## EXTERNAL INTEGRATIONS & API ECOSYSTEM

APIs underpin much of the Group's ecosystem: cross-border listings on Amazon and the ERP and payment integrations are API-based, while Partner Central and the Services Platform expose supplier and partner tooling to list and manage offerings. During the year, API integrations with Shopify and WordPress, together with AI-powered product approval, made it easier for external sellers to connect their catalogues to Kapruka. The Group also integrates with global platforms including Amazon, eBay, Etsy and Walmart, and drew on external AI and large-language-model providers to accelerate its AI-across-operations programme. The asset-light marketplace model — Partner Central plus the Services Platform — is designed to onboard new sellers and service providers with minimal inventory or capital risk. A layered platform architecture isolates integration logic, allowing new providers across payment, logistics, marketplace and AI to be added with limited blast radius.

## SUPPLY CHAIN, LOGISTICS & PARTNER INTEGRATIONS

Last-mile delivery — cloud-based, with regional hubs and same- or next-day island-wide fulfilment — is integrated with the order pipeline, with AI agents deployed during the year to automate repetitive supply-chain and back-office tasks. The multi-quarter EV fleet conversion commenced in FY2025/26 to de-risk fuel-cost volatility and improve logistics margins. Own-label manufacturing through Kapruka Productions gives end-to-end control from creation to delivery; delivery confirmation feeds ERP invoicing and stock updates to close the loop digitally. Partner Central lets third-party sellers plug into Kapruka's customer base, logistics and payments, expanding range and margin without Kapruka holding inventory — a key driver of FY2025/26 profitability. Sellers are supported by API integrations, AI-powered product approval, with an e-voucher service for instant digital delivery. Promotions and discount logic are handled centrally, so offers apply consistently at checkout across channels.

LOOKING AHEAD · THE NEAR-TERM ROADMAP IS CENTRED ON AI

· **Back-office automation** — progressing toward ~40% over the coming quarters, compounding operating leverage and margins
· **AI-assisted shopping** — a conversational AI experience guiding customers from discovery to purchase
· **Model Context Protocol (MCP) adoption** — enabling AI assistants to connect securely to Kapruka's commerce systems, positioning the platform to be shopped through emerging AI interfaces
· **Platform modernisation** — favours incremental evolution behind clean service boundaries, so new technologies can be adopted without destabilising production — keeping Kapruka's digital infrastructure future-ready as the Group scales

# Social & Relationship Capital. *Trust That Powers the Inflection.*

Social and Relationship Capital is an essential pillar of our sustainable business strategy. It represents the strength of our relationships with the communities we serve, our customers, our supplier network, our brand and institutional partners, and the broader society in which we operate. We recognise that trust, inclusivity and shared value creation are core to long-term success. In 2025/26, Kapruka continued to deepen this capital — widening access to our Marketplace for small and medium enterprises (SMEs) and women-led businesses, deepening long-term customer relationships built on reliability and responsiveness, and strengthening supplier and brand partnerships that create shared, sustainable value across our ecosystem. By taking an ecosystem approach to e-commerce, we aim to empower businesses of all sizes, champion trust at every touchpoint, and deliver value that extends beyond the transaction.

SUPPLIER CREDIT TERMS

30 days

Standard, predictable liquidity

PARTNER FULFILMENT

Free

Storage, pickup & doorstep delivery

LEADING BRAND ALLIANCES

6 +

Singer · Browns · Abans · Hemas · CBL · Unilever

DELIVERY NETWORK

Island-wide

Fulfilment tailored for a premium experience

## WIDENING ACCESS THROUGH THE MARKETPLACE

A continued area of focus in 2025/26 was strengthening the reach and support available through Kapruka's Marketplace (Partner Central) platform — our channel for supplier empowerment and inclusive market access.

Alongside our core inventory ecosystem of VAT-registered suppliers, wholesalers, manufacturers and importers, the Marketplace (Partner Central) platform creates dedicated opportunities for SMEs, women-led enterprises, home-based businesses and individual sellers to reach a nationwide customer base. A specialised category management team works directly with these partners — supporting product listing standards, market insights, and targeted promotion through platform advertising and social media channels — Partners also receive practical guidance on digital merchandising, pricing, inventory management and customer service, technical support and website integration opportunities that strengthen their digital presence.

## FOUNDATIONS OF CUSTOMER TRUST

Customer trust remains foundational to Kapruka's business model. In 2025/26, the Group continued to build long-term, durable relationships with its customer base — including the Sri Lankan diaspora — through consistent service delivery, transparency and continuous engagement.

- Reliable service delivery, with consistent, on-time fulfilment of products and services.
- A wide product selection spanning gifts, groceries, flowers, cakes, electronics and more on a single platform.
- Strong, responsive customer support across multiple communication channels.
- Secure payment systems that safeguard online transactions and customer information.
- Quality assurance through a verified supplier network.
- Personalised services, including customised gifts and special-occasion packages.
- Transparent communication through order confirmations, tracking updates and delivery notifications.
- Dedicated service to the Sri Lankan diaspora, enabling overseas Sri Lankans to send gifts and essentials to family members at home.

Collectively, these strategies build trust through reliability, convenience and quality of service, encouraging repeat purchases and reinforcing long-term customer loyalty.

## MARKETPLACE SUPPORT FOR PARTNERS

| Support provided | Impact for partners |
|---|---|
| **Marketplace access** | Any SME, home-based business or regional producer can sell nationwide |
| **Category team guidance** | Listing standards, market insights, promotional placement |
| **Merchandising & pricing guidance** | Better inventory management and customer service |
| **Technical & marketing support** | Website integration and digital exposure build partner visibility |

## SUPPLIER DEVELOPMENT & CAPACITY BUILDING

Kapruka manages supplier relationships through a commercial framework designed around balance and mutual de-risking: a stable 30-day credit period giving suppliers dependable cash flow; free fulfilment covering storage, pickups and final doorstep delivery; direct category-team support; signature bundling — pairing supplier goods with in-house flagship offerings such as fresh flowers, freshly baked cakes, cosmetic gift sets and gourmet hampers — to drive higher partner sales volumes; structured onboarding with training materials and continuous performance monitoring; and digital enablement through commerce tools, marketing opportunities and business insights.

In turn, suppliers are required to comply with platform policies, product quality standards, intellectual property requirements and applicable laws — ensuring responsible sourcing and sustaining the trust customers place in the platform.

| Initiative | Benefit to suppliers |
|---|---|
| **30-day credit terms** | Predictable, dependable liquidity |
| **Free fulfilment services** | Storage, pickup and delivery handled by Kapruka |
| **Category team guidance** | Listing standards, insights, promotional reach |
| **Signature bundling** | Higher volumes via pairing with flagship products |
| **Onboarding & training** | Faster platform entry with ongoing support |
| **Digital commerce tools** | Stronger capabilities and sustainable growth |

## INDUSTRY & MARKET PARTNERSHIPS

Kapruka reinforces its market leadership by combining premium hospitality partnerships with alliances across major national and multinational brands — including Singer, Browns, Abans, Hemas, CBL and Unilever — underpinned by an island-wide delivery network tailored for a premium customer experience.

## BRAND & MERCHANT PARTNERSHIPS

Kapruka maintains strategic relationships with established national and international brands, as well as with SMEs, manufacturers and individual merchants operating through the Marketplace. These partnerships broaden the range and quality of offerings available to customers while reinforcing Kapruka's position as a preferred distribution channel for leading Sri Lankan and global brands.

## LOGISTICS & FULFILMENT PARTNERSHIPS

Collaboration with logistics and fulfilment partners underpins the reliability of Kapruka's island-wide delivery network, enabling the Group to serve local customers and the Sri Lankan diaspora with consistent, time-sensitive delivery of both perishable and non-perishable goods.

## PAYMENT & BANKING PARTNERSHIPS

Partnerships with banks and payment service providers ensure secure, convenient and diversified payment options for customers transacting locally and from overseas, supporting the trust and transaction security that underpin the platform's customer relationships.

## CORPORATE & INSTITUTIONAL PARTNERSHIPS

Kapruka engages with corporate clients and institutional stakeholders to extend its gifting, hamper and corporate solutions offerings, further diversifying its revenue base and deepening its relationships with the broader business community.

## LISTENING, RESOLVING, IMPROVING

A structured feedback loop — website, e-mail, telephone and social channels; investigated complaints resolved through replacements, refunds or corrective action; post-purchase feedback collection; and online review monitoring — has translated directly into measurable improvements: enhanced navigation, search and checkout; category expansion into groceries, electronics and household items; improved logistics and tracking; strengthened supplier quality standards; gift vouchers, customised gifts and same-day delivery; faster support response times; and improved payment options and availability for overseas customers.

## SHARED SUCCESS

At Kapruka Holdings, we understand that our success is only meaningful when it is shared. By investing in open platforms for small businesses, disciplined customer relationship management, equitable supplier partnerships and strategic brand alliances, we are committed to ensuring that our growth drives Sri Lanka's growth. Our Social and Relationship Capital strategy is a promise — to our suppliers, our customers and our partners — that we will continue to be a responsible and trusted partner in building a stronger, more connected future.

LOOKING AHEAD · PRIORITIES

Kapruka recognises that building Social and Relationship Capital is an ongoing commitment. Looking forward, we will continue to:

· Expand Marketplace access to onboard more SMEs, women-led enterprises and local producers
· Strengthen supplier development programmes, with continued guidance on listing standards, pricing and digital enablement
· Deepen brand, logistics, payment and institutional partnerships that extend the reach and reliability of our platform
· Continue converting customer feedback into product, delivery and service improvements
· Extend dedicated diaspora service, strengthening cross-border trust and convenience

# Intellectual Capital.
# *Innovation Powering the Inflection.*

In 2025/26, Kapruka's Intellectual Capital was defined by a single, deliberate shift: the re-architecture of the Group's digital commerce platform into an AI-powered commerce ecosystem. Built on a two-year technology investment, this transformation embedded artificial intelligence across customer service, product discovery, supply chain and back-office processing — positioning Intellectual Capital as the primary driver of Kapruka's ability to scale revenue without proportionally scaling headcount or fixed cost, positioning Kapruka for an AI-led future in Sri Lankan e-commerce.

## PROPRIETARY TECHNOLOGY & IP MANAGEMENT

Kapruka's principal intellectual property is its proprietary, in-house digital commerce platform — designed, built and maintained by Kapruka Tech Root (Pvt) Ltd, the Group's dedicated technology subsidiary established in November 2011. Proprietary business processes — the Partner Central marketplace engine, the newly launched Kapruka Services Platform, last-mile routing logic and own-label manufacturing specifications — are managed as confidential competitive assets.

Institutional know-how is preserved through the subsidiary structure, under which Tech Root owns and stewards the technology function, supported by documented architecture and disciplined change-management practices that reduce key-person dependency. Source code and production systems are held under restricted, role-based access.

## STRUCTURAL INNOVATIONS

Beyond AI, structural innovations continue to differentiate Kapruka.

The Kapruka Services Platform extends the business beyond physical goods into bookable digital services — a higher-margin, asset-light market. Partner Central allows third-party sellers to plug into Kapruka's customer base, logistics and payments without inventory risk, and was recognised with an NBQSA 2024 Bronze Award as In-House Project of the Year. The cross-border export model places Sri Lankan brands on Amazon in the US, UK and Canada, with Kapruka acting as their exclusive e-distributor.

## THE DEFINING INNOVATION OF FY2025/26

The embedding of AI across Group operations was the defining strategic shift of the year. AI is now the default lens for designing new processes rather than a bolt-on capability.

| Area | AI application | Business impact |
|---|---|---|
| **Seller onboarding** | AI-supported product approval on Partner Central | Faster onboarding of third-party sellers |
| **Product discovery** | Personalised product recommendations | Improved on-site discovery and conversion |
| **Order processing** | Intelligent order screening | Identifies high-risk orders pre-fulfilment, protecting margins and customer trust |

## FOSTERING A CULTURE OF INNOVATION

Innovation is institutionalised through dedicated subsidiaries — Kapruka Tech Root for technology, and Kapruka Ventures for incubating social and quick-commerce initiatives. The Group actively explores emerging technologies, with current focus areas including agentic AI (autonomous AI agents that execute multi-step tasks with minimal supervision) and end-to-end process automation. The FY2025/26 AI transformation demonstrates an internal pipeline that carries ideas from experimentation through to operational deployment, evidenced by multiple NBQSA awards.

## RESEARCH & DEVELOPMENT

R&D is delivered principally in-house through a dedicated team within Kapruka Tech Root. A significant theme of the year was the use of agentic AI to reduce repetitive, manual tasks, releasing specialist staff for higher-value work. The Group engages the national innovation ecosystem through ICTA and the NBQSA community, has been recognised internationally by the UN World Summit on the Information Society (WSIS) and the International Trade Centre, and worked with universities through student projects and hosted internships focused on building AI agents, creating a channel for fresh talent and applied research that feeds directly into the AI programme, to keep the innovation pipeline fed with fresh talent and applied research.

The Group's FY2025/26 R&D output centred on the AI-across-operations programme — spanning customer service, product discovery, supply chain and back-office processing — together with the launch of the Kapruka Services Platform.

## INTELLECTUAL PROPERTY & BRANDING

The "Kapruka" brand — derived from the Sinhala word for the mythical "wishing tree" — is long-established and repeatedly recognised, including SLIM Online Brand of the Year in 2015, 2016 and 2017. Proprietary technology, including the new AI ecosystem, is ring-fenced within Kapruka Tech Root under restricted access and trade-secret treatment.

The major rebranding undertaken in 2024, alongside the launch of Partner Central, marked the shift from an inventory-led retailer toward a service-oriented platform, reflecting a two-year restructuring that laid the technology foundation for the next phase of growth — a direction that culminated in the FY2025/26 positioning as an AI-powered commerce ecosystem.

As Sri Lanka's first and largest locally-owned e-commerce enterprise, and the first e-commerce company to list on the Colombo Stock Exchange, Kapruka holds strong first-mover brand equity. Its deep diaspora reach across the US, UK, Australia and Canada monetises occasion-driven gifting demand and underpins a growing USD revenue base that acts as a structural hedge against foreign-exchange and fuel shocks. Over twenty years of operating history has built proprietary knowledge of local logistics, demand patterns and supplier relationships spanning more than 500 brands.

## LOOKING AHEAD

Having embedded AI as the default lens for process design in 2025/26, priorities for the year ahead centre on deepening and scaling this capability rather than introducing a new direction:

· **Agentic AI** — from experimentation toward broader operational deployment of autonomous agents executing multi-step tasks with minimal supervision

· **End-to-end process automation** — extending beyond seller onboarding, product discovery and order screening to further stages of the commerce lifecycle

· **Kapruka Services Platform** — growing the Group's presence in the higher-margin, asset-light bookable-services market

· **Cross-border export model** — strengthening the exclusive e-distributor position for Sri Lankan brands on Amazon US, UK and Canada

· **Innovation pipeline** — sustaining the route from experimentation within Tech Root and Ventures through to operational deployment and external recognition

· **External collaboration** — continuing engagement with ICTA, the NBQSA community and university partners, including AI-agent-focused internships

WHY IT MATTERS

**These priorities are designed to keep Kapruka's technology and brand assets ahead of the market — reinforcing Intellectual Capital as a durable source of competitive advantage rather than a one-off transformation.**

# Milestones in Kapruka's intellectual capital.

| Milestone | Significance |
|---|---|
| **First e-commerce company listed on the CSE** | First-mover brand equity and public-market credibility |
| **SLIM Online Brand of the Year (2015–2017)** | Sustained recognition of brand strength |
| **NBQSA 2024 Bronze — Partner Central** | External validation of proprietary marketplace innovation |
| **UN WSIS & International Trade Centre recognition** | International validation of digital and cross-border innovation |
| **Two-year AI transformation (FY2025/26)** | Repositions the Group as an AI-powered commerce ecosystem |

# Natural Capital.
# *Building the Environmental Baseline for the Inflection.*

In last year's report, Kapruka committed to publishing its first Sustainability Scorecard in the 2025/26 reporting cycle. We have gone further: FY2025/26 marks the Company's first formal sustainability-related financial disclosure, prepared in accordance with **SLFRS S1** (General Requirements for Disclosure of Sustainability-related Financial Information) and **SLFRS S2** (Climate-related Disclosures) — both became effective from 1 January 2025, with mandatory application to CSE-listed entities being phased in progressively.

This is a foundational, not a finished, disclosure. Kapruka has applied first-year transition reliefs permitted under SLFRS S1 — no comparative period is presented, Scope 3 emissions are screened but not yet quantified, and figures have not yet been externally assured. External limited assurance is targeted for FY2026/27. What follows are the Company's first publicly disclosed environmental metrics, forming the baseline from which future progress will be measured and reported.

## GREENHOUSE GAS EMISSIONS — THE FIRST BASELINE

Kapruka has, for the first time, quantified its direct and energy-related GHG emissions using the GHG Protocol Corporate Standard, with an operational-control boundary covering all Group-managed facilities and vehicle fleets in Sri Lanka.

| Scope | Source | FY25/26 value | tCO2e |
|---|---|---|---|
| Scope 1 (direct) | Fleet petrol | 159,787 L | ~369.2 |
| Scope 1 (direct) | Fleet diesel | 120 L | ~0.3 |
| Scope 1 (direct) | Backup generator diesel | 191 L | ~0.5 |
| **Scope 1 total** | | | **~370** |
| Scope 2 (energy) | Purchased electricity (CEB grid) | ~341,594 kWh | ~171 |
| **Combined total** | **Scope 1 + Scope 2** | | **~541** |

Emissions intensity ≈ 2.06 tCO2e per employee. Factors: petrol 2.31 kgCO2e/L, diesel 2.68 kgCO2e/L (IPCC 2006 Tier 1); grid electricity 0.50 kgCO2e/kWh (mid-range of the published CEB factor of 0.45–0.55). Scope 2 estimated for a small number of months using adjacent-month actuals. Scope 3 screening across purchased goods and packaging, upstream logistics and digital infrastructure is planned for the coming year.

## ENERGY MANAGEMENT

Total purchased electricity across all facilities was approximately 341,594 kWh, sourced entirely from the CEB grid; no renewable generation is currently in place. An assessment of energy-efficiency opportunities and renewable options — covering office and on-premise server-room consumption — is planned for the year ahead.

## WATER MANAGEMENT

Water consumption across the Mirihana operations totalled approximately 9,482 m³ for the year, drawn from National Water Supply and Drainage Board billing records across the Group's facilities.

## PACKAGING & WASTE

Kapruka tracked packaging material volumes across fulfilment operations for the first time this year, providing a clear baseline for waste reduction planning.

| Packaging type | Annual volume | ESG note |
|---|---|---|
| Corrugated boxes (S/M/L) | 14,896 | Recyclable |
| Cardboard bags, laminated | 36,145 | Partially recyclable |
| Sealed poly flyers (LDPE) | 36,000 | Reduction target needed |
| Shopping bags, unprinted | 16,500 | Reduction target needed |

Approximately **52,500 units of plastic packaging** are used annually in fulfilment — a material sustainability concern in light of Sri Lanka's plastic regulations and evolving customer expectations. Reduction targets and alternative packaging options are being assessed for the year ahead.

## FLEET ELECTRIFICATION & CLIMATE TRANSITION

Kapruka's delivery fleet — approximately 43 owned vehicles (bikes, vans, a lorry, a truck, cars and a three-wheeler) plus 8 rented vans — remains overwhelmingly petrol-powered, with diesel limited to one lorry, one freezer truck and the backup generator. Annual petrol consumption of 159,787 litres cost the Group **LKR 47.97 million** in FY2025/26, underscoring both the financial and environmental case for electrification.

**Five electric vehicles have been ordered as Stage 1** of the fleet's transition to zero-emission transport — the Company's primary strategic climate action for the year. A comprehensive fleet electrification plan, covering phased conversion milestones, capital budget, charging infrastructure and projected CO2 and fuel-cost savings, is being formalised for the year ahead.

## BIODIVERSITY

Kapruka does not yet have formal partnerships with environmental organisations or dedicated conservation projects. This remains an area identified for future development, consistent with the Company's approach in prior years.

## CLIMATE-RELATED PHYSICAL RISK

All facilities and fleet operations are concentrated in the Nugegoda/Mirihana area of the Western Province, which shapes physical climate-risk exposure.

| Risk | Potential impact | Assessment |
|---|---|---|
| **Acute — flooding** Annual monsoon flooding, increasing in severity | Operational disruption, delivery SLA failures, facility and fleet damage | High — qualitative; scenario analysis pending |
| **Acute — extreme weather** Bay of Bengal cyclonic activity, storm surges | Physical damage to fleet, server room, production infrastructure | Medium — qualitative |
| **Chronic — temperature rise** Projected 1.5–2°C increase by 2050 | Perishable supply-chain disruption, driver welfare, higher cooling costs | Medium — qualitative |

Formal climate scenario analysis — IPCC 1.5°C and 2°C transition pathways alongside physical-risk modelling for Western Province flooding and temperature exposure — is planned for the year ahead, with results to be disclosed in the following reporting cycle.

## LOOKING AHEAD — ENVIRONMENTAL TARGETS & ROADMAP

Having established its first environmental baseline this year, Kapruka's priorities for the year ahead are to verify and act on that baseline:

· Verify the ~541 tCO2e Scope 1+2 baseline through a formal, externally supported GHG inventory, and set a science-based or Paris-aligned reduction target
· Formalise the full fleet electrification plan — milestones, capital budget, projected CO2 and fuel-cost savings — building on the five EVs already ordered
· Assess alternatives to ~52,500 units of annual plastic packaging and set a reduction target
· Assess energy-efficiency and renewable options for ~342,000 kWh/year electricity consumption
· Conduct formal climate scenario analysis for Western Province flooding and temperature risk
· Commence Scope 3 emissions screening across packaging, upstream logistics and digital infrastructure
· Obtain external limited assurance over key environmental metrics, targeted for FY2026/27
· Through these actions, Kapruka aims to move from its first-year environmental baseline toward a verified, targeted, and eventually externally assured environmental performance record — consistent with its responsibility as Sri Lanka's leading e-commerce platform and a Main Board-listed entity on the Colombo Stock Exchange

# SLFRS SUSTAINABILITY-RELATED FINANCIAL DISCLOSURES

For the year ended 31 March 2026

## About this Disclosure

Kapruka Holdings PLC (“Kapruka”, “the Company” or “the Group”) presents its sustainability-related financial disclosures for the year ended 31 March 2026 with reference to SLFRS S1 – General Requirements for Disclosure of Sustainability-related Financial Information and SLFRS S2 – Climate-related Disclosures.

These disclosures provide information on sustainability-related risks and opportunities that could reasonably be expected to affect the Group’s prospects over the short, medium and long term. As a Main Board-listed entity of the Colombo Stock Exchange, Kapruka has also considered applicable sustainability and corporate governance disclosure requirements. This represents the Group’s first formal sustainability-related financial disclosure.

Kapruka Global Shop (Pvt) Ltd is an associate company and is treated accordingly for reporting purposes.

## Transitional Provisions

As this is the Group’s first year of sustainability-related financial reporting, relevant transitional provisions have been applied. Accordingly, comparative sustainability information has not been presented and the current disclosure primarily focuses on climate-related matters.

Scope 3 greenhouse gas emissions and certain quantitative forward-looking information have not been presented where the necessary data and measurement processes are still being developed. The underlying sustainability assessment applies the same first-year approach.

## Governance

The Board of Directors has overall responsibility for overseeing the Group’s sustainability-related risks and opportunities and their potential implications for strategy, risk management and long-term value creation.

The Board is supported by its established Board Committees. The Audit Committee provides oversight relevant to sustainability-related financial reporting, risk management, internal controls and the integrity of information used in corporate reporting.

At management level, sustainability-related matters are managed through the relevant business functions, including Finance, Operations, Information Technology, Human Resources and Procurement. Significant sustainability-related matters are reported through the established management and Board governance structure.

The Group’s governance framework is supported by policies covering sustainability, business conduct and ethics, anti-bribery and corruption, whistleblowing, employee development and risk management.

# SLFRS SUSTAINABILITY-RELATED FINANCIAL DISCLOSURES

### Strategy

Kapruka operates a technology-driven digital commerce ecosystem connecting customers, merchants, suppliers, production, technology infrastructure, fulfilment and last-mile delivery.

The Group recognises that sustainability-related risks and opportunities may arise throughout its value chain. Principal areas of focus include energy and fuel consumption, fleet emissions, climate-related operational disruption, packaging, workforce matters, supply-chain resilience, cybersecurity and data privacy.

The Group considers sustainability-related matters over short-, medium- and long-term horizons. In the short term, the focus is on strengthening sustainability governance, data systems, GHG measurement and fleet transition. Over the medium and longer term, the Group intends to further develop environmental targets, energy-efficiency initiatives, climate resilience and value-chain sustainability.

### Climate-related Risks

The Group has identified physical risks including flooding, extreme weather and increasing temperatures, which may affect fulfilment, last-mile delivery, suppliers, facilities and other operations.

Transition risks include evolving sustainability-related regulatory and disclosure requirements, changing investor and customer expectations, fuel-price exposure and the transition towards lower-carbon transportation.

### Climate-related Opportunities

The transition towards more sustainable operations also creates opportunities for Kapruka through fleet electrification, energy efficiency, sustainable packaging and the use of technology and data to improve operational efficiency.

The Group will continue assessing the potential financial effects of these climate-related risks and opportunities as its sustainability measurement capabilities develop.

### Risk Management

Sustainability-related risks are progressively being incorporated into Kapruka’s existing Enterprise Risk Management framework.

The Group’s risk-management process covers the identification, assessment, monitoring and reporting of strategic, operational, financial and regulatory risks. Sustainability and climate-related considerations are being integrated into this process to enable material sustainability-related risks to be evaluated alongside other enterprise risks.

The initial assessment identified climate-related physical and transition risks, cybersecurity and data privacy, workforce matters, packaging and supply-chain sustainability as areas requiring continued monitoring.

The Group will continue strengthening the processes used to identify, assess, monitor and report sustainability-related risks as its reporting framework develops.

# SLFRS SUSTAINABILITY-RELATED FINANCIAL DISCLOSURES

## Metrics and Targets

The Group has commenced measuring key environmental indicators to establish a baseline for monitoring its climate-related performance.

| Metric | FY 2025/26 |
|---|---|
| Scope 1 GHG emissions | ~370 $tCO_2e$ |
| Scope 2 GHG emissions | ~171 $tCO_2e$ |
| Total Scope 1 and Scope 2 emissions | ~541 $tCO_2e$ |
| Purchased electricity | ~341,594 kWh |
| Water consumption | ~9,482 $m^3$ |
| Renewable electricity | 0% |

The Scope 1 and Scope 2 GHG figures represent preliminary estimates based on available fuel-consumption and electricity records. Certain electricity information required estimation where complete monthly billing information was unavailable.

Scope 3 value-chain emissions have not been quantified for FY 2025/26.

## Targets

FY 2025/26 represents the Group's initial baseline period for structured climate-related measurement.

The Group is progressively developing appropriate metrics and targets for managing material climate-related risks and opportunities. Formal quantitative targets will be established as the Group's sustainability data, measurement processes and transition plans mature.

The principal areas under consideration include greenhouse gas emissions, fleet electrification, energy efficiency and packaging. The underlying sustainability assessment similarly identifies the establishment of quantitative ESG targets as a future implementation action.

## Way Forward

Kapruka will continue to strengthen its sustainability-related financial reporting framework through improved data collection, measurement processes and internal controls.

The Group's priorities include further integration of sustainability and climate-related risks into enterprise risk management, improving Scope 1 and Scope 2 emissions measurement, assessing relevant Scope 3 emissions, continuing the transition towards electric delivery vehicles, assessing energy-efficiency opportunities and progressively establishing appropriate sustainability targets.

No external assurance has been obtained over the sustainability-related information presented for FY 2025/26. As the Group's reporting processes mature, Kapruka intends to progressively improve the completeness, reliability and decision-usefulness of its sustainability-related financial disclosures.

SECTION SIX

# Governance — Enabling the Inflection.

*Corporate governance, the work of each Board committee, and the Group's risk-management framework.*

— CORPORATE GOVERNANCE

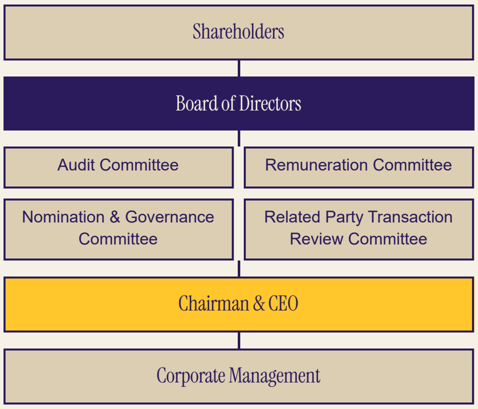
# Governance that *enables growth.*

Kapruka's resilient performance over the past few years, despite unprecedented challenges, reflects the strength of our corporate governance practices. We remain committed to continuously strengthening these practices, recognising that good governance is fundamental to creating long-term stakeholder value. Accordingly, we adopt industry best practice, ensure strict regulatory compliance, and maintain high standards of accountability and transparency across all our operations.

## GOVERNANCE FRAMEWORK

### EXTERNAL REGULATIONS

- Companies Act No. 7 of 2007
- Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 (LKAS and SLFRS)
- Continuing Listing Rules of the Colombo Stock Exchange (CSE)
- Exchange Control Act No. 22 of 2017
- Inland Revenue Act No. 24 of 2017, and related Acts, Circulars and Gazettes issued by the Inland Revenue Department
- Personal Data Protection Act No. 9 of 2022
- Independent audit requirements



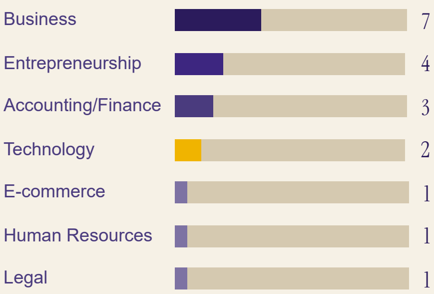

### INTERNAL REGULATIONS

- Articles of Association
- Terms of Reference for Board sub-committees
- Code of Business Ethics
- Policies and Procedures
- Internal Control System
- Enterprise Risk Management Framework
- HR Policies

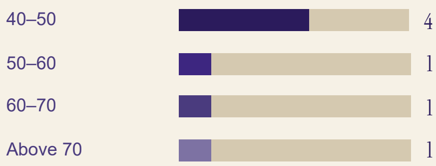
## BOARD COMPOSITION AND EXPERTISE

The Board comprises **7 Directors**: 1 Executive Director, 2 Non-Executive Directors, and 4 Independent Non-Executive Directors (including 1 Senior Independent Director).

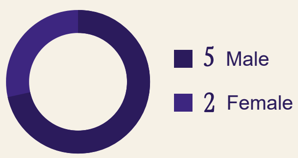
### BOARD SKILL PROFILE




### AGE DIVERSITY




### GENDER DIVERSITY




The Board of Directors holds ultimate responsibility for ensuring Kapruka operates within a robust and effective governance framework, providing ethical and entrepreneurial leadership that safeguards stakeholder value within a system of strong internal controls. Careful attention is given to maintaining a balanced mix of skills, experience and perspectives. This composition complies with CSE Listing Rules and enhances objectivity and oversight, particularly in financial and legal matters. All Board members bring substantial business experience, with the Chairman contributing deep technology expertise, supported by the Kapruka Techroot team in driving the Group's growth.

## ROLES AND RESPONSIBILITIES

The roles of Chairman and Chief Executive are combined, reflecting the Group's specific business needs and leveraging the Chairman's skills, experience and strategic vision as the largest beneficial shareholder. The Chairman also chairs all subsidiaries and the associate company, ensuring alignment between Group and subsidiary strategies.

While retaining overall accountability, the Board delegates specific responsibilities to clearly defined sub-committees and management teams, enabling it to focus on strategic matters while ensuring specialist oversight in key areas.

| Committee | Areas of oversight |
|---|---|
| **Audit Committee (AC)** | Compliance with financial reporting requirements · Effectiveness of internal controls and risk management · Independence and performance of external auditors · Recommendations on auditor appointment, remuneration and engagement terms · Oversight of risk management |
| **Remuneration Committee (RC)** | Policy recommendations on remuneration for Executive and Non-Executive Directors and Key Corporate Management · Approval of fixed and variable remuneration components · Oversight of employment terms for Executive Directors · Monitoring of performance-linked incentives and share schemes · Appointment of remuneration consultants |
| **Nomination & Governance Committee** | Reviewing Board and Committee structure, composition and competencies · Recommending appointments and re-elections · Ensuring governance-related legal compliance · Overseeing Board and senior management succession |
| **Related Party Transactions Review Committee (RPTC)** | Establishing policies for related party transactions · Review of related party transactions · Ensuring due process and compliance with CSE Listing Rules · Determining approval requirements · Ensuring timely market and Annual Report disclosures |

## THE BOARD'S CONTRIBUTION TO VALUE CREATION IN 2025/26

01

### Strategy

The Board set the strategic direction to deliver sustainable stakeholder value, adapting swiftly to volatile market conditions to ensure business continuity.

02

### Shaping corporate culture

Directors model ethical conduct, fostering transparency, trust and accountability across the organisation.

03

### Risk management

Through the Audit Committee, the Board oversees the Group's risk management framework, balancing risk and reward effectively.

04

### Stakeholder engagement

The Board ensures consistent and transparent communication with all stakeholders, building long-term trust and strengthening the Group's reputation.

— COMPOSITION & MEETING ATTENDANCE

# Board and committee attendance, FY2025/26.

The Board meets regularly to review performance, assess strategic progress and address emerging risks. Board packs and agendas are circulated at least seven working days in advance to ensure adequate preparation.

## BOARD MEETINGS

| Director | 21 Jul 2025 | 16 Feb 2026 | 20 Mar 2026 | Total |
|---|---|---|---|---|
| Mr. Dulith Herath (Chairman) | ✓ | ✓ | ✓ | **3/3** |
| Ms. Thilangani Herath | ✓ | ✓ | ✓ | **3/3** |
| Mr. Suresh Subasinghe | ✓ | ✓ | ✓ | **3/3** |
| Mr. Lakshman Abeysekera | ✓ | ✓ | ✓ | **3/3** |
| Dr. Chamara Bandara | ✓ | ✓ | ✓ | **3/3** |
| Ms. Anuradha Herath | ✓ | ✓ | ✓ | **3/3** |
| Mr. S M T H Subasinghe | ✓ | ✓ | ✓ | **3/3** |

## AUDIT COMMITTEE

| Director | 29 May 25 | 14 Aug 25 | 25 Aug 25 | 3 Nov 25 | 9 Feb 26 | 25 Feb 26 | Total |
|---|---|---|---|---|---|---|---|
| Dr. Chamara Bandara (Chairman) | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | **6/6** |
| Mr. Lakshman Abeysekera | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | **6/6** |
| Ms. Anuradha Herath | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | **6/6** |

# Committee meeting attendance, FY2025/26.

## RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

| Director | 29 May | 14 Aug | 3 Nov | 9 Feb | Total |
|---|---|---|---|---|---|
| Mr. L. Abeysekera (Chairman) | ✓ | ✓ | ✓ | ✓ | **4/4** |
| Dr. Chamara Bandara | ✓ | ✓ | ✓ | ✓ | **4/4** |
| Ms. Anuradha Herath | ✓ | ✓ | ✓ | ✓ | **4/4** |

## REMUNERATION COMMITTEE

| Director | 26 Sep 25 | 26 Mar 26 | Total |
|---|---|---|---|
| Dr. Chamara Bandara (Chairman) | ✓ | ✓ | **2/2** |
| Ms. Anuradha Herath | ✓ | ✓ | **2/2** |
| Mr. Suresh Subasinghe | — | — | **0/2** |

## NOMINATIONS & GOVERNANCE COMMITTEE

| Director | 3 Mar 26 | 5 Mar 26 | Total |
|---|---|---|---|
| Mr. L. Abeysekera (Chairman) | ✓ | ✓ | **2/2** |
| Dr. Chamara Bandara | ✓ | ✓ | **2/2** |
| Mr. S M T H Subasinghe | ✓ | ✓ | **2/2** |
| Mr. Suresh Subasinghe | ✓ | — | **1/2** |

## MEETINGS CHAIRED BY THE SENIOR INDEPENDENT DIRECTOR

| Meeting | Date | Attendance |
|---|---|---|
| Non-Executive Directors, without other Directors present | 5 Mar 2026 | All six NEDs **1/1** |
| Independent Directors, without other Directors present | 3 Mar 2026 | All four INEDs **1/1** |

NED meeting attendees: Mr. Lakshman Abeysekera (Chairman), Dr. Chamara Bandara, Mr. S M T H Subasinghe, Mr. Suresh Subasinghe, Ms. Thilangani Herath, Ms. Anuradha Herath. INED meeting attendees: Mr. Lakshman Abeysekera (Chairman), Dr. Chamara Bandara, Mr. S M T H Subasinghe, Mr. Suresh Subasinghe.

— BOARD COMMITTEES

# Four committees, sharper focus.

## Audit Committee

Oversees financial reporting, the audit, internal controls and risk reporting. Recommends external auditor appointment and remuneration.

**CHAIR · DR. D.B.S.C. BANDARA · INDEPENDENT NED**

## Remuneration Committee

Reviews and recommends remuneration policy for directors and senior management. Ensures alignment with shareholder interests.

**CHAIR · DR. CHAMARA BANDARA · INDEPENDENT NED**

## Related Party Transactions Review

Reviews related-party transactions for compliance with CSE Listing Rules, ensuring fairness to the Group and its non-related shareholders.

**CHAIR · MR. LAKSHMAN ABEYSEKERA · INDEPENDENT NED**

## Nominations & Governance

Reviews Board composition, recommends director appointments and re-elections, and oversees governance framework alignment.

**CHAIR · MR. LAKSHMAN ABEYSEKERA · INDEPENDENT NED**

### EXTERNAL AUDITOR

The Group's external auditor is Messrs. Ernst & Young, Chartered Accountants — Rotunda Towers, No. 109 Galle Road, Colombo 03. Messrs. Ernst & Young will stand for re-appointment at the 24th AGM.

# Risk Management
# *Strategic Discipline for the Inflection.*

Risk management at Kapruka is embedded within our operations as a strategic discipline that supports informed decision-making and sustainable value creation, rather than functioning solely as a control mechanism. As the Group has expanded in scale and cross-border complexity, we have continued to strengthen our risk management framework during FY2025/26, enhancing its structure, consistency and effectiveness across all business units.

We recognise that risk cannot be fully eliminated, even under optimal conditions. However, a structured and proactive approach enables the Group to identify, assess and respond to uncertainty in a timely manner — enhancing resilience, protecting stakeholder interests and supporting sustainable growth.

## GOVERNANCE STRUCTURE — THREE LINES OF DEFENCE

Kapruka applies a three-lines-of-defence model that clearly defines accountability and aligns risk ownership across the organisation, from the Board to operational teams.

**The Board of Directors** holds ultimate responsibility for risk oversight. It defines the Group's risk appetite, approves the risk management framework, and monitors the overall risk profile in relation to strategic objectives, while promoting a strong culture of transparency and risk awareness.

**The Audit Committee** provides independent oversight on behalf of the Board. It reviews the effectiveness of internal controls, financial reporting integrity, regulatory compliance and emerging risks, and provides assurance on the adequacy of the Group's risk management framework.

**The Group Executive Management Committee** acts as the operational custodian of risk management. It translates the Board's risk appetite into policies and procedures, oversees implementation, and manages day-to-day operational and strategic risks across the Group.

**Department Heads** form the first line of defence and are responsible for identifying, assessing and managing risks within their respective functions. They ensure appropriate controls are in place, monitor key risk indicators, and escalate significant issues in a timely manner.

Risk management is the responsibility of **all employees**, with all departments expected to maintain ongoing awareness of risks and report matters through established governance channels.

Risk escalation follows a structured approach: low risks are managed at team level, medium risks are escalated to Department Heads, high risks are reviewed by the Audit Committee, and very high risks are immediately escalated to the Board. Formal risk reporting to the Audit Committee and Board is conducted at least quarterly, with increased frequency where required by evolving risk conditions.

## RISK MANAGEMENT PROCESS

The Group follows a structured and continuous risk management cycle comprising: defining context and objectives, identifying risks, assessing likelihood and impact, determining appropriate responses, implementing control activities, and monitoring outcomes to support continuous improvement.

Risks are assessed on both an **inherent** basis (before controls) and a **residual** basis (after controls). Evaluation considers financial impacts — profitability, cash flow, cost — and non-financial impacts including reputation, operations, compliance, IT systems and human resources, alongside likelihood based on historical trends and forward-looking indicators.

Residual risks are measured against the Group's defined risk appetite. Risks exceeding tolerance levels are escalated and addressed through formal mitigation plans, while those within acceptable limits are monitored on an ongoing basis. **The risk assessment methodology and risk appetite are reviewed by the Audit Committee at least annually.** The Group applies four risk response strategies — **avoid, reduce, transfer or accept** — based on the severity, likelihood and strategic relevance of each risk, supported by preventive, detective and corrective controls embedded across operations.

## TYPES OF RISK

Kapruka operates in a dynamic environment shaped by internal operations, market forces, technological change, and broader economic and regulatory conditions. Key risk categories include:

01

### Strategic

Arises from long-term business decisions and external shifts such as technological disruption, changing consumer behaviour, competition, and macroeconomic or geopolitical volatility affecting supply chains and currency stability.

02

### Operational

Relates to process inefficiencies, system or human errors, logistics cost fluctuations, inventory management challenges, talent retention, and service delivery performance.

03

### Financial

Includes exposure to foreign exchange volatility, interest rate changes, liquidity constraints, and broader market risks affecting cross-border trade and financial stability.

04

### Reputational

Emerges from customer experience issues, governance lapses, or failures in ESG and ethical standards, which may impact brand trust and stakeholder confidence.

05

### Compliance

Relates to regulatory, tax, legal, data protection, cybersecurity and internal policy compliance across all jurisdictions in which the Group operates.

## KAPRUKA RISK DASHBOARD — 2025/26

| Risk type | Key exposure | Potential impact | Mitigation strategies |
|---|---|---|---|
| **Strategic** | Rapid technological change; shifting consumer behaviour; geopolitical and economic uncertainty | Loss of market share; revenue decline; operational disruption | Continuous innovation via Kapruka Techroot; product diversification; loyalty programmes; market expansion |
| **Operational** | High inventory costs; fuel price volatility; talent retention; process inefficiencies | Margin pressure; increased logistics cost; reduced productivity | Partner Central model; route optimisation; workforce development; strengthened controls |
| **Financial** | FX volatility; import restrictions; interest rate fluctuations; liquidity pressure | Supply chain disruption; margin erosion; constrained growth | Local sourcing expansion; hedging strategies; strong liquidity buffers and credit lines |
| **Reputational** | Service quality issues; governance concerns; ESG gaps | Loss of customer trust and stakeholder confidence | Quality assurance systems; transparent governance; sustainability initiatives |
| **Compliance** | Regulatory breaches; tax errors; cybersecurity and data risks | Penalties; reputational damage; operational disruption | Compliance training; internal audits; cybersecurity controls; code of conduct enforcement |

## MONITORING, REVIEW AND REPORTING

Risk oversight is maintained through continuous monitoring of key indicators, periodic management reviews (at least quarterly), and independent internal audit assurance. Findings are reported to the Audit Committee on a regular basis.

## STRATEGIC OUTLOOK

For Kapruka, risk management is not only a protective mechanism but also a key enabler of sustainable growth. By embedding risk awareness into all levels of decision-making, the Group strengthens its resilience, enhances agility, and remains well-positioned to capture opportunities across domestic and international markets, while safeguarding long-term stakeholder value.

# Compliance with Section 9 of the Listing Rules of the Colombo Stock Exchange

The Company has fully complied with the revised Corporate Governance Rules applicable to listed entities under Section 9 of the Listing Rules of the Colombo Stock Exchange. In addition, the Company and the Group have adopted the revised Code of Best Practice on Corporate Governance (2023) issued by CA Sri Lanka.

| CSE Rule | Requirement | Status | How we comply |
|---|---|---|---|
| **9.1 — Corporate Governance Rules** | | | |
| **9.1.3** | Statement confirming the extent of compliance with the Corporate Governance Rules | Compliant | The Company has confirmed its compliance with the Corporate Governance Rules in the Annual Report of the Board of Directors. Also refer the Corporate Governance Report of this Annual Report. |
| **9.2 — Policies** | | | |
| **9.2.1** | Listed Company shall establish and maintain the following policies and disclose the fact of existence of such policies together with details of implementation on its website: (a) matters relating to the Board of Directors; (b) Board Committees; (c) Corporate Governance, Nominations and Re-election; (d) Remuneration; (e) Internal Code of Business Conduct and Ethics for all Directors and employees, including trading in the Entity's listed securities; (f) Risk management and Internal controls; (g) Relations with Shareholders and Investors; (h) Environmental, Social and Governance Sustainability; (i) Control and Management of Company Assets and Shareholder Investments; (j) Corporate Disclosures; (k) Whistleblowing; (l) Anti-Bribery and Corruption | Compliant | The policies referred to in Section 9.2.1 are available on the Company's corporate website. |
| **9.2.2** | Any waivers from compliance with the Internal Code of business conduct and ethics or exemptions granted | N/A | No waivers or exemptions were granted during the year. |
| **9.2.3** | (i) List of policies in place as per Rule 9.2.1, with reference to website; (ii) Any changes to policies adopted | Compliant | Refer 'How we comply' under Rule 9.2.1 above. No material changes to the policies were adopted during the year. |
| **9.2.4** | Listed Company shall make available all such policies to shareholders upon a written request being made for any such Policy | Compliant | The policies are made available to shareholders upon receipt of a written request. |
| **9.3 — Board Committees** | | | |
| **9.3.1** | Listed Company shall ensure that the following Board committees are established and maintained at a minimum and are functioning effectively: (a) Nominations and Governance Committee; (b) Remuneration Committee; (c) Audit Committee; (d) Related Party Transactions Review Committee | Compliant | The Company maintains the Nominations and Governance Committee, Remuneration Committee, Audit Committee, and Related Party Transactions Review Committee (RPTRC). These Committees function effectively, with the Audit Committee and the RPTRC meeting on a quarterly basis, while the Nominations and Governance Committee and the Remuneration Committee convene as and when necessary. |
| **9.3.2** | Listed Company shall comply with the composition, responsibilities and disclosures required in respect of the above Board committees as set out in these Rules | Compliant | All Committees are in compliance with the applicable rules. Further details are provided in the respective Committee Reports. |
| **9.3.3** | The Chairperson of the Board of Directors of the Company shall not be the Chairperson of the Board Committees referred to in Rule 9.3.1 above | Compliant | The Chairpersons of the Board Committees are independent from the Chairperson of the Board. |

| CSE Rule | Requirement | Status | How we comply |
|---|---|---|---|
| **9.4 — Principles of Democracy in Shareholder Dealings** | | | |
| **9.4.1** | Listed Company shall maintain records of all resolutions and the following information upon a resolution being considered at any General Meeting: (a) number of shares in respect of which proxy appointments have been validly made; (b) votes in favour; (c) votes against; (d) shares in respect of which the vote was directed to be abstained | Compliant | The Company Secretaries maintain records of all resolutions of General Meetings and information related thereto. |
| **9.4.2** | (a) Policy on effective communication and relations with shareholders and investors; (b) disclosure of the contact person for such communication; (c) the process to make all Directors aware of major issues and concerns of shareholders | Compliant | The designated contact person is disclosed on the Company's corporate website as well as on the 'About this Report' page of this Annual Report. The Company has also published its Shareholder Communication and Relations Policy. |
| **9.5 — Policy on Matters Relating to the Board of Directors** | | | |
| **9.5.1** | Listed Company shall establish and maintain a formal policy governing matters relating to the Board of Directors and such policy shall include the matters listed under this Rule | Compliant | This is in compliance with the established Policy on matters relating to the Board of Directors. |
| **9.5.2** | Confirmation on compliance with the requirements of the Policy on matters relating to the Board of Directors. If non-compliant, reasons for the same with proposed remedial action | Compliant | This is compliant with the established Policy on matters relating to the Board of Directors. |
| **9.6 — Chairperson and CEO** | | | |
| **9.6.1** | The Chairperson of every Listed Company shall be a Non-Executive Director and the positions of Chairperson and CEO shall not be held by the same individual, unless otherwise a SID is appointed in terms of Rule 9.6.3 | Compliant | Refer the Statement by the Senior Independent Director in this Annual Report. |
| **9.6.2** | Where the Chairperson is an Executive Director and/or the positions of Chairperson and CEO are held by the same individual, the Entity shall make a Market Announcement within one (1) month from the date of implementation of these Rules, or an immediate Market Announcement if such appointment/combination falls subsequent to implementation | Compliant | Since the Chairperson and CEO of the Company is the same person, a market announcement was made on 30th October 2023 stating the rationale for combining the two roles. |
| **9.6.3** | Report of the Senior Independent Director demonstrating the effectiveness of duties | Compliant | Refer the Statement by the Senior Independent Director in this Annual Report. |
| **9.6.4** | Rationale for appointing a Senior Independent Director | Compliant | Refer the Statement by the Senior Independent Director in this Annual Report. |
| **9.7 — Fitness of Directors and CEOs** | | | |
| **9.7.1** | Listed Company shall take necessary steps to ensure that their Directors and the CEO are, at all times, fit and proper persons as required in terms of the Listing Rules, utilising the 'Fit and Proper Assessment Criteria' set out in Rule 9.7.3 | Compliant | The Company Secretaries obtain annual declarations from the Directors of the Company to ensure that they are at all times fit and proper persons as specified in the criteria given in Rule 9.7.3 of the Listing Rules of the CSE. |
| **9.7.2** | Listed Company shall ensure that persons recommended by the Nominations and Governance Committee as Directors are fit and proper before such nominations are placed before the shareholders' meeting or appointments are made | Compliant | Complied with in respect of all nominations placed before shareholders. |

| CSE Rule | Requirement | Status | How we comply |
|---|---|---|---|
| **9.7 — Fitness of Directors and CEOs (continued)** | | | |
| **9.7.3** | A Director or the CEO shall not be considered as 'fit and proper' if he or she does not meet the fit and proper assessment criteria specified under "Honesty, Integrity and Reputation", "Competence and Capability" and "Financial Soundness" as set out in Rule 9.7.3 (a), (b) and (c) | Compliant | Refer 'How we comply' under Rule 9.7.1 above. |
| **9.7.4** | Listed Company shall obtain declarations from its Directors and CEO on an annual basis confirming continuous satisfaction of the Fit and Proper Assessment Criteria during the financial year concerned | Compliant | Annual declarations from Directors confirming that each of them has continuously satisfied the fit and proper assessment criteria set out in the CSE revised Listing Rules were obtained as at 31st March 2026. |
| **9.7.5** | (a) Statement on Directors and CEO satisfying Fit and Proper Assessment Criteria; (b) any non-compliances and remedial action taken | Compliant | Refer the 'Annual Report of the Board of Directors' of this Annual Report. No non-compliances arose during the year. |
| **9.8 — Board Composition** | | | |
| **9.8.1** | The Board of Directors shall, at a minimum, consist of five (05) Directors | Compliant | As at the date of publication of this Annual Report, the Company consists of 7 Directors, thereby complying with Rule 9.8.1. |
| **9.8.2** | (a) The Board shall include at least two (2) Independent Directors or such number equivalent to one third (1/3) of the total number of Directors, whichever is higher; (b) any change to this ratio shall be rectified within ninety (90) days | Compliant | The Board includes four (4) Independent Non-Executive Directors out of seven, exceeding the one-third requirement throughout the year. |
| **9.8.3** | A Director shall not be considered independent if he/she does not meet the criteria for determining independence set out in Rule 9.8.3 | Compliant | Compliant in terms of Rule 9.1.4(3). |
| **9.8.5** | (a) Each Independent Director to submit a signed and dated annual declaration of independence/non-independence against the criteria in Rule 9.8.3 in the format in Appendix 9A; (b) annual determination of independence of each Independent Director, with names of those determined independent set out in the Annual Report; (c) immediate Market Announcement where independence has been impaired | Compliant | The Independent Directors submit signed declarations annually with regard to their independence/non-independence against the specified criteria stipulated under Rule 9.8.3. Refer 'Independence of the Directors' in the Corporate Governance Report of this Annual Report. |
| **9.10 — Disclosures Relating to Directors** | | | |
| **9.10.1** | Listed Company shall disclose its policy on the maximum number of directorships its Board members may hold in the manner specified in Rule 9.5.1, with explanation for any excess | Compliant | The Company is in compliance with the established Policy governing matters relating to the Board of Directors. |
| **9.10.2** | Upon appointment of a new Director, an immediate Market Announcement setting out: (i) a brief resume; (ii) capacity of directorship; (iii) statement whether the appointment was reviewed by the Nominations and Governance Committee | Compliant | Refer 'Appointment, Re-election and Resignation of Directors' in the Corporate Governance Report of this Annual Report. |
| **9.10.3** | Immediate Market Announcement regarding any changes to the composition of the Board of Directors or Board Committees, with capacity of directorship and effective date | Compliant | Would comply if a need arises. |

| CSE Rule | Requirement | Status | How we comply |
|---|---|---|---|
| **9.10 — Disclosures Relating to Directors (continued)** | | | |
| **9.10.4** | Directors' details: (a) name, qualifications and brief profile; (b) nature of expertise in relevant functional areas; (c) whether the Director or close family members have material business relationships with other Directors; (d) whether Executive, Non-Executive and/or Independent; (e) companies in Sri Lanka in which the Director serves as Director and/or KMP; (f) number of Board meetings attended; (g) Board Committees served as Chairperson or member; (h) attendance at Board committee meetings; (i) Terms of Reference and powers of Senior Independent Directors | Compliant | (a), (b) and (d) — refer 'Board profiles'. (c) — based on individual declarations obtained from the Directors, none of the Directors or their close family members have material business relationships with other Directors of the Company; a statement to this effect is included in the 'Annual Report of the Board of Directors'. (e) — refer 'Corporate Governance Report'. (f) and (g) — refer 'Composition' and 'Details of Directors' Attendance at Board Meetings held during the financial year 2025/2026'. (h) — refer Committee Reports. (i) — refer the Senior Independent Director Statement. |
| **9.11 — Nominations and Governance Committee** | | | |
| **9.11.1** | Listed Company shall have a Nominations and Governance Committee that conforms to the requirements set out in Rule 9.11 | Compliant | The Company formed the Nominations and Governance Committee with effect from 3rd July 2024. Refer the 'Nominations and Governance Committee Report' of this Annual Report. |
| **9.11.2** | Listed Company shall establish and maintain a formal procedure for the appointment of new Directors and re-election of Directors to the Board through the Nominations and Governance Committee | Compliant | Refer the 'Nominations and Governance Committee Report' of this Annual Report. |
| **9.11.3** | The Committee shall have written terms of reference clearly defining its scope, authority, duties and matters pertaining to the quorum of meetings | Compliant | Refer the 'Nominations and Governance Committee Report' of this Annual Report. |
| **9.11.4** | (1) Members shall (a) comprise a minimum of three (03) Directors, of which a minimum of two (02) shall be Independent Directors; (b) not comprise Executive Directors. (2) An Independent Director shall be appointed Chairperson by the Board. (3) The Chairperson and members shall be identified in the Annual Report | Compliant | The Committee comprises four Independent Non-Executive Directors and is chaired by an Independent Director. Refer the 'Nominations and Governance Committee Report' of this Annual Report. |
| **9.11.5** | The functions of the Nominations and Governance Committee | Compliant | Refer the 'Nominations and Governance Committee Report' of this Annual Report. |
| **9.11.6** | The Annual Report shall contain a report of the Nominations and Governance Committee signed by its Chairperson, including: (a) names of chairperson and members with nature of directorship; (b) date of appointment to the committee; (c) availability of documented policy and processes when nominating Directors; (d) requirement of re-election at regular intervals at least once in 3 years; (e) Board diversity; (f) effective implementation of policies and processes relating to appointment and reappointment of Directors; (g) details of directors re-appointed; (h) performance of periodic evaluation of Board; (i) process adopted to inform independent directors of major issues; (j) induction/orientation programmes; (k) annual update for all directors; (l) compliance with independence criteria; (m) statement on compliance with corporate governance rules | Compliant | The Nominations and Governance Committee Report containing the requirements stipulated under this Rule has been included in the Annual Report of the Company for the financial year 2025/2026. |
| **9.12 — Remuneration Committee** | | | |
| **9.12.2** | Listed Company shall have a Remuneration Committee that conforms to the requirements set out in Rule 9.12 | Compliant | Refer the 'Report of the Remuneration Committee' of this Annual Report. |

| CSE Rule | Requirement | Status | How we comply |
|---|---|---|---|
| **9.12 — Remuneration Committee (continued)** | | | |
| **9.12.3** | The Committee shall establish and maintain a formal and transparent procedure for developing policy on Executive Directors' remuneration and for fixing remuneration packages of individual Directors. No Director shall be involved in fixing his/her own remuneration | Compliant | Refer 'Director's Remuneration' in the Corporate Governance Report and the 'Report of the Remuneration Committee' of this Annual Report. |
| **9.12.4** | Remuneration for Non-Executive Directors should be based on a policy which adopts the principle of non-discriminatory pay practices among them to ensure that their independence is not impaired | Compliant | Refer 'How we comply' under Rule 9.2.1 above. |
| **9.12.5** | The Committee shall have written terms of reference clearly defining its scope, authority, duties and matters pertaining to the quorum of meetings | Compliant | Refer the 'Report of the Remuneration Committee' of this Annual Report. |
| **9.12.6** | (1) Members shall (a) comprise a minimum of three (03) Directors, of which a minimum of two (02) shall be Independent Directors; (b) not comprise Executive Directors. (3) An Independent Director shall be appointed Chairperson by the Board | Compliant | Refer 'Composition of the Committee' in the Report of the Remuneration Committee of this Annual Report. |
| **9.12.7** | The functions of the Remuneration Committee | Compliant | Refer the 'Report of the Remuneration Committee' of this Annual Report. |
| **9.12.8** | The Remuneration Committee Report shall contain: (a) names of chairperson and members with nature of directorship; (b) a statement regarding the Remuneration Policy; (c) the aggregate remuneration of the Executive and Non-Executive Directors | Compliant | Refer the 'Report of the Remuneration Committee' of this Annual Report. |
| **9.13 — Audit Committee** | | | |
| **9.13.1** | Where a Listed Company does not maintain separate Committees to perform the Audit and Risk Functions, the Audit Committee shall additionally perform the Risk Functions set out in Rule 9.13 | Compliant | The Audit Committee of the Company also performs the risk functions. |
| **9.13.2** | The Audit Committee shall have written terms of reference clearly defining its scope, authority and duties | Compliant | The Audit Committee operates under a formal Charter approved by the Board of Directors. |
| **9.13.3** | (1) Members shall (a) comprise a minimum of three (03) directors, of which a minimum of two (02) or a majority, whichever is higher, shall be Independent Directors; (b) not comprise Executive Directors. (2) Quorum requires the majority in attendance to be independent directors. (3) The Committee shall meet compulsorily on a quarterly basis prior to recommending financials for release. (5) An Independent Director shall be appointed Chairperson. (6) The CEO and CFO shall attend by invitation. (7) The Chairperson shall be a Member of a recognised professional accounting body | Compliant | Refer the Report of the Audit Committee of this Annual Report. The Chairman of the Committee is a Fellow Member of CA Sri Lanka. |
| **9.13.4** | The functions of the Audit Committee | Compliant | Refer the Report of the Audit Committee of this Annual Report. |
| **9.13.5** | (1) Listed Company shall prepare an Audit Committee Report to be included in the Annual Report; (2) the Report shall contain the disclosures set out in Rule 9.13.5 (2) | Compliant | Refer the Report of the Audit Committee of this Annual Report. |
| **9.14 — Related Party Transactions Review Committee** | | | |

| CSE Rule | Requirement | Status | How we comply |
|---|---|---|---|
| **9.14 — Related Party Transactions Review Committee (continued)** | | | |
| **9.14.1** | Listed Company shall have a Related Party Transactions Review Committee that conforms to the requirements set out in Rule 9.14 | Compliant | Refer the 'Report of the Related Party Transactions Review Committee' of this Annual Report. |
| **9.14.2** | The Committee shall comprise a minimum of three (03) Directors, of which two (02) shall be Independent Directors. It may also include executive directors at the option of the Company. An Independent Director shall be appointed Chairperson | Compliant | Refer the 'Report of the Related Party Transactions Review Committee' of this Annual Report. |
| **9.14.3** | The functions of the Related Party Transactions Review Committee | Compliant | Refer the 'Report of the Related Party Transactions Review Committee' of this Annual Report. |
| **9.14.4** | (1) The Committee shall meet at least once a calendar quarter and ensure minutes are properly documented and communicated to the Board; (2) members shall have or have access to enough knowledge or expertise to assess all aspects of proposed RPTs, obtaining professional advice where necessary; (3) where necessary, request Board approval prior to entering into the transaction; (4) a Director with a material personal interest shall not be present while the matter is considered, nor vote on it | Compliant | Refer the 'Report of the Related Party Transactions Review Committee' of this Annual Report. |
| **9.14.5** | Review of Related Party Transactions by the Related Party Transactions Review Committee | Compliant | Refer the 'Report of the Related Party Transactions Review Committee' of this Annual Report. |
| **9.14.6** | Listed Company shall obtain Shareholder approval for the Related Party Transactions set out in Rule 9.14.6 | Compliant | There were no Related Party Transactions during the year which required shareholder approval. The Company would comply with this Rule should a need arise. |
| **9.14.7** | Listed Company shall make an immediate Market Announcement to the Exchange for the Related Party Transactions as set out in Rule 9.14.7 (a) and (b) | Compliant | There were no Related Party Transactions during the year which required an immediate Market Announcement. The Company would comply with this Rule should a need arise. |
| **9.14.8** | (1) Non-recurrent RPT exceeding 10% of Equity or 5% of Total Assets, whichever is lower (in the specified format); (2) Recurrent RPTs exceeding 10% of gross revenue/income (in the specified format); (3) RPT Review Committee Report including names of the Directors comprising the Committee, statement that the committee has reviewed RPTs and communicated observations to the Board, and policies and procedures adopted; (4) affirmative declaration by the Board on compliance with RPT Rules or negative statement | Compliant | Refer the 'Report of the Related Party Transactions Review Committee' and the 'Annual Report of the Board of Directors' of this Annual Report, and the related party disclosures in the Notes to the Financial Statements. |

| CSE Rule | Requirement | Status | How we comply |
|---|---|---|---|
| **9.14 — Related Party Transactions Review Committee (continued)** | | | |
| **9.14.9** | Acquisition and disposal of assets from/to Related Parties — except for transactions set out in Rule 9.14.10, neither the Company nor any subsidiary shall acquire a substantial asset from, or dispose of a substantial asset to, any Related Party without shareholder approval by way of a Special Resolution | Compliant | The Company has not acquired or disposed of any assets from/to Related Parties during the year under review. |
| **9.16 — Additional Disclosures** | | | |
| **9.16** | Additional disclosures by the Board of Directors, declaring: all material interests in contracts and that Directors have refrained from voting on matters in which they were materially interested; review of internal controls covering financial, operational and compliance controls and risk management, with reasonable assurance of their effectiveness and successful adherence; that Directors have made themselves aware of applicable laws, rules and regulations and changes particularly to Listing Rules and capital market provisions; disclosure of any material non-compliance with law or regulation and any material fines imposed by any government or regulatory authority in any jurisdiction where the Entity has operations | Compliant | Refer the 'Annual Report of the Board of Directors' of this Annual Report. |

— COMPANIES ACT NO. 7 OF 2007

# Statement of compliance with the Companies Act.

Confirmation of compliance with disclosures required under Section 168 of the Companies Act No. 7 of 2007 in respect of the Company and the Group.

| Section | Disclosure required | Status | Reference |
|---|---|---|---|
| 168 (1)(a) | Nature of the business including changes | Compliant | Directors' report |
| 168 (1)(b) | Signed financial statements of Company and Group | Compliant | Directors' responsibility statement |
| 168 (1)(c) | Auditors' report on financial statements | Compliant | Independent auditor's report |
| 168 (1)(d) | Accounting policies and changes therein | Compliant | Notes to financial statements |
| 168 (1)(e) | Particulars of entries in the Interests Register | Compliant | Directors' report |
| 168 (1)(f) | Remuneration and other benefits paid to Directors | Compliant | Notes to financial statements |
| 168 (1)(g) | Corporate donations made by the Company | Compliant | Notes to financial statements |
| 168 (1)(h) | Directorate of Company and subsidiaries during the year | Compliant | Directors' report |
| 168 (1)(i) | Amounts paid to External Auditor | Compliant | Notes to financial statements |
| 168 (1)(j) | Auditors' relationship with Company and subsidiaries | Compliant | Independent auditor's report |
| 168 (1)(k) | Acknowledgement of Report and signatures on behalf of Board | Compliant | Statement of financial position |

# Statement by the Senior Independent Director

I was appointed by the Board as the Senior Independent Director (SID) on 1 September 2024 in compliance with Listing Rule 9.6.3, since the positions of Chairperson and Chief Executive Officer are not segregated.

The Board was of the view that Mr. Dulith Vinodan Herath should continue to hold both positions, at least in the medium term, based on the following rationale.

- Mr. Herath is the Founder and the driving force behind "Kapruka"
- Kapruka currently heavily relies on his leadership for its business
- This reliance was evident at the Public Listing approximately four and a half years ago, during which a notable number of investors placed their faith in his vision and leadership
- Sri Lanka's e-commerce landscape is still in its infancy. Therefore, it will be challenging to find executives with a wealth of experience in this sector locally, especially for a large-scale commercial platform such as Kapruka.

Therefore, the Board will review this position after the submission of the Strategic Plan.

## ROLE OF THE SENIOR INDEPENDENT DIRECTOR

The SID provides guidance to the Chairman on matters of governance of the Company and places emphasis on transparency in matters relating to governance. In fulfilling this duty, the SID is required to meet with the Independent Directors at least once a year — or as often as deemed necessary — at a meeting chaired by the SID without the presence of the other Directors, to discuss matters and concerns relating to the Company and the operation of the Board. The SID is required to provide feedback and recommendations from such meetings to the Chairperson and the other Board members.

The SID shall hold a meeting of the Non-Executive Directors without the Chairperson at least annually to appraise the Chairperson's performance, and on such other occasions as are deemed appropriate. Currently, the Board is composed of four (4) Independent Non-Executive Directors, two (2) Non-Executive Non-Independent Directors, and one (1) Executive Director, who is the Chairman and Chief Executive Officer.

## ACTIVITIES DURING THE YEAR

In line with regulatory requirements, I presided one meeting with the Independent Non-Executive Directors which was attended by all four directors. This was followed by a further meeting with all the non-executive directors without the presence of the executive director.

At these meetings, the performance of the Chairman and the Executive Director was appraised. Further discussed the matters pertaining to the entity and the operations of the Board. The proceedings of this meeting, together with the views, suggestions, and recommendations of the Independent Directors, were minuted in detail, and the minutes circulated to the Chairman and the Board soon thereafter.

### BOARD COMPOSITION

7 Directors
4 Independent Non-Executive Directors
2 Non-Executive Directors
1 Executive Director (Chairman/CEO)

### SID

**Mr. Lakshman Abeysekera**
Independent Non-Executive Director
Appointed SID · 1 September 2024

## — SENIOR INDEPENDENT DIRECTOR · CONTINUED

In addition to the above, a Terms of Reference (TOR) was developed specifying the duties and responsibilities of the SID.

SID also presented a report to the Chief Executive Officer and the Chairman of the Company containing the observations, and concerns raised by the independent directors of Kapruka Holdings PLC. It served as a structured communication mechanism to ensure that matters identified by the independent directors are appropriately conveyed, considered, and addressed at the highest level of leadership.

I believe I have effectively discharged the duties entrusted to the SID in accordance with the Corporate Governance guidelines.

Lakshman Abeysekera
Senior Independent Director
31 August 2026

### SID-CHAIRED MEETINGS · FY26

Independent Directors, without other Directors present
**3 March 2026 · 4/4**

Non-Executive Directors, without other Directors present
**5 March 2026 · 6/6**

### GOVERNING RULE

CSE Listing Rule **9.6.3** — a Senior Independent Director is appointed where the roles of Chairperson and CEO are held by the same individual.

# Report of the Audit Committee

## PURPOSE AND KEY RESPONSIBILITIES

In accordance with the Code of Best Practice on Corporate Governance and the regulations issued by the Securities and Exchange Commission of Sri Lanka for public limited companies, the Board of Directors has established an Audit Committee with a clearly defined Terms of Reference (TOR). This TOR integrates the requirements of the Securities and Exchange Commission and the Code of Best Practice on Corporate Governance.

The role of the Audit Committee is to oversee the financial reporting system of the Company with a view to safeguarding the interests of all stakeholders. This includes selecting and applying appropriate accounting policies for the purpose of financial reporting, and ensuring sound internal control principles and their effective implementation — thereby ensuring the integrity of the Financial Statements.

In addition to its key areas of discussion, the Committee receives regular updates from management in relation to key financial controls, IT general controls, treasury, taxation and internal audit. The Committee's oversight responsibilities include the following:

- Overseeing the preparation, presentation and adequacy of disclosures in the financial statements in accordance with Sri Lanka Accounting Standards.
- Assisting the Board in fulfilling its oversight responsibilities towards ensuring the integrity of the financial statements of the Company and the Group.
- Overseeing compliance with financial reporting requirements, information requirements of the Companies Act, and compliance with all relevant statutory and regulatory requirements.
- Assessing the processes to ensure that internal controls and the risk management framework are adequate to safeguard the Company's assets and interests.
- Reviewing the independence and performance of the External Auditors, and making recommendations to the Board pertaining to the appointment, re-appointment and removal of External Auditors.
- Monitoring the effectiveness of the internal audit function.

## COMPOSITION OF THE COMMITTEE

The Audit Committee is appointed by the Board and consists entirely of Non-Executive Directors, the majority of whom are Independent.

1. **Dr. Chamara Bandara** (IND/NED) — Chairman
2. **Mr. Lakshman Abeysekera** (IND/NED) — Member
3. **Ms. Anuradha Herath** (NED) — Member

(IND — Independent Director · NED — Non-Executive Director)

## ATTENDANCE AT COMMITTEE MEETINGS

The Committee held **six scheduled meetings** during the year, Each meeting was conducted based on a clear agenda prepared in advance of the meeting which covered all pertinent matters requiring the attention of the Committee. The Committee has a periodic and structured forward looking planner, designed to ensure that responsibilities are discharged in full during the year and that regulatory developments continue to be brought to the Committee's attention. The Committee met Six (6) occasions during the year 2025/26. Attendance by the Committee members at these meetings is detailed below, with the attendance ratio calculated based on the number of meetings held during each member's tenure on the committee.

| Director | Status | Membership | Attendance |
|---|---|---|---|
| Dr. Chamara Bandara | IND/NED | Committee Chairman | **6/6** |
| Mr. Lakshman Abeysekera | IND/NED | Member | **6/6** |
| Ms. Anuradha Herath | NED | Member | **6/6** |

The Chairman of the Committee, Dr. Chamara Bandara, who is an Independent Non-Executive Director, is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka. Mr. Lakshman Abeysekera is also a Fellow Member of CA Sri Lanka. Brief profiles are set out in the Board of Directors section. The Company Secretary functions as Secretary to the Committee.

Regular attendees on the invitation to the meetings included the Chairman/CEO, Head of Finance, Finance Controller, General Manager and the Internal Auditor. As necessary, other Key Management Personnel such as the Head of IT and the Head of Human Resource Management were invited to attend relevant segments of the meetings to identify the operating effectiveness of the Internal controls and also to enhance the awareness of the Committee with regard to the developments taking place. The External Auditors also attended these meetings by invitation. Further meetings were held after 31st March 2026 to consider and recommend the Company's Quarterly and Annual Financial Statements to the Board. The Committee submits its minutes and reports, with an action-plan document on its activities, to the Board regularly, and assists the Board in its general oversight of financial reporting, internal controls, and functions relating to internal and external audits.

## FINANCIAL REPORTING, STATUTORY & REGULATORY REQUIREMENTS

In relation to the financial statements, the Committee ensures that the Group provides accurate and timely financial results in conformity with Sri Lanka Accounting Standards and applies judgements effectively. During the year, the Committee considered and recommended the quarterly financial statements, annual financial statements and connected documents for Board approval within the stipulated timelines.

The Committee discussed the financial reporting system adopted by the Company in preparing its quarterly and annual financial statements to ensure the reliability of the entire process, the consistency of accounting policies and procedures adopted, and their compliance with Sri Lanka Accounting Standards and Sri Lanka Financial Reporting Standards.

The Committee reviews the quarterly regulatory compliance reports submitted and concludes that the Company's and its subsidiaries' compliance framework provides reasonable assurance that all relevant laws, rules, regulations, codes of ethics and standards of conduct have been followed. This procedure ensures that compliance with all statutory and regulatory requirements is effectively monitored. The Committee supported the Board in discharging its responsibilities towards ensuring statutory compliance across the Group, and reviewed compliance data covering these items, discussing the controls and mitigating actions deployed in support of the Group's overall compliance strategy and culture to reduce instances of fraud and compliance breaches. **The Audit Committee further received written assurances from the Chief Executive Officer regarding the Company's operations and financial affairs.**

## CHARTER OF THE AUDIT COMMITTEE

The Audit Committee operates under a formal Charter approved by the Board of Directors, outlining the scope of responsibilities, authority and structure of the Committee. The Charter is periodically reviewed and updated to reflect evolving regulatory requirements and best governance practices.

## INTERNAL AUDIT

The Committee reviewed the objectivity and performance of the internal audit function and the adequacy of its resources. Internal audit reports and findings were prioritised based on risk levels, with follow-up reviews scheduled to ascertain that audit recommendations are being acted upon. The Committee reviewed the process to assess the effectiveness of the Internal Financial Controls designed to provide reasonable assurance to the Directors that assets are safeguarded and that the financial reporting system can be relied upon in the preparation and presentation of Financial Statements.

## EXTERNAL AUDIT

The Committee held meetings to review the role of the External Auditors and the scope of their work, and considers the Management Letter submitted by the external auditor together with management's response to their recommendations. The Committee periodically assesses the quality of the external auditor's contribution and effectiveness, considers their appointment, approves auditor remuneration, and monitors the provision of non-audit services and associated fees to ensure that their independence as External Auditors had not been compromised.

## DISCLOSURE ON INDEPENDENCE BY EXTERNAL AUDITORS

The Audit Committee obtained written assurance from the external auditors stating that they are independent throughout the audit engagement, in accordance with the terms of professional, ethical and regulatory independence requirements.

## DISCLOSURE ON INDEPENDENCE OF EXTERNAL AUDITORS BY THE AUDIT COMMITTEE

The Audit Committee has undertaken a comprehensive assessment of the independence and objectivity of the external auditors and is satisfied that they have remained independent in the discharge of their responsibilities throughout the financial year. In making this determination, the Committee considered, among other matters, the written confirmation of independence provided by the external auditors, their compliance with all applicable professional, ethical, statutory and regulatory independence requirements, and the nature and extent of their relationship with the Company and the Group.

The Committee notes that the external auditors have served as the Company's statutory auditors for five (5) years, while the current audit engagement partner has been responsible for the audit for three (3) years. The Committee is satisfied that the tenure of both the audit firm and the engagement partner complies with applicable regulatory and professional requirements, including partner rotation requirements where applicable. The external auditors also provided certain non-audit services during the year; the Audit Committee reviewed and approved the nature and scope of these engagements in accordance with the Company's policy governing the engagement of the external auditors for non-audit services.

## RISK FUNCTION OF THE AUDIT COMMITTEE

The Company has a TOR on the Risk Function of the Audit Committee outlining the responsibilities, composition and scope of the Risk Function. The Risk Function is tasked with identifying, evaluating, managing and reporting on significant risks facing the Company and ensuring that proper risk management strategies are in place.

The Risk Function is established as a sub-function under the Audit Committee, reporting directly to the Audit Committee of the Board. It has the authority to access any information relevant to the Company's risk profile, engage external risk experts or consultants as required, and liaise with management to monitor the implementation of risk mitigation strategies.

## CONCLUSION

The Committee acknowledges the cooperation and support received from the management team, internal audit and external auditors during the year to enable it to carry out its duties and responsibilities effectively.

The Committee is satisfied that the Company's internal controls and procedures are in place and effectively implemented as designed to assess and manage risks, and that the Company's assets are adequately safeguarded.

The Committee is also satisfied that the operating controls and the application of appropriate accounting policies provide reasonable assurance that the financial statements of the Company and Group provide a true and fair view of its state of affairs.

The Audit Committee has proposed to the Board of Directors that **Messrs. Ernst & Young, Chartered Accountants** be recommended for re-appointment as Statutory Auditors of the Company for the financial year ending 31st March 2027, subject to approval by the shareholders at the forthcoming Annual General Meeting.

Dr. Chamara Bandara
Chairman · Audit Committee · 31 August 2026

# Report of the Remuneration Committee

## PURPOSE

The purpose of the Committee is to assist the Board in fulfilling its responsibility to shareholders to ensure that the Company's remuneration framework is fair, responsible, and linked to both corporate and individual performance. The Committee also ensures that the Company's remuneration practices comply with applicable statutory and regulatory requirements.

## COMPOSITION OF THE COMMITTEE

The Remuneration Committee consists of the following Non-Executive Directors:

- **Dr. Chamara Bandara** (IND/NED) — Chairman
- **Mrs. Anuradha Herath** (NIND/NED) — Member
- **Mr. Suresh Deepal Subasinghe** (IND/NED) — Member

(IND — Independent Director · NED — Non-Executive Director · NIND — Non-Independent Director)

The Chairman of the Committee, Dr. Chamara Bandara, who is an Independent Non-Executive Director, is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka. Brief profiles of the members are set out in the Board of Directors section of this Annual Report.

## ATTENDANCE AT COMMITTEE MEETINGS

The Committee met two (2) times during the year under review with the attendance of all its members.

| Director | Status | Membership | Attendance |
|---|---|---|---|
| Dr. Chamara Bandara | IND/NED | Committee Chairman | **2/2** |
| Ms. Anuradha Herath | NED | Member | **2/2** |
| Mr. Suresh Subasinghe | IND/NED | Member | **0/2** |

The CEO, Head of Finance, Head of HR, General Manager and the Internal Auditor attended the meetings by invitation to assist in the Committee's deliberations. The Company Secretaries, Kreston Corporate Services (Pvt) Ltd, functioned as Secretary to the Remuneration Committee.

## BELOW MENTIONED MAIN AREAS WERE DISCUSSED AND REVIEWED BY THE COMMITTEE:-

- **Increment of remuneration for Directors and employees** — the Committee recommended changes to the remuneration packages of the Directors and employees after reviewing current remuneration.
- **Employee performance appraisal** — the Committee recommended conducting a performance appraisal on employee promotions and increments with their respective pay levels as a best practice.
- **Staff promotions** — the Committee reviewed the staff cadre categorisation to make the appropriate changes, and kept abreast of the dynamic changes required during the year.

## REMUNERATION POLICY

The Committee considers several factors when determining the Company's remuneration structure, including market competitiveness, corporate and individual performance, industrial standards, comparison to market accessible rates, and inflation and macroeconomic conditions, while determining the Company's overall remuneration policy for the year under review.

## TERMS OF REFERENCE

The Committee operates within the agreed Terms of Reference. The committee examines the proposals and recommendations made by management on the remuneration package for the Company's Executive Directors and Senior Management of the Company and its subsidiaries, and makes recommendations to the Board for approval. The scope of the Committee also involves reviewing the fees and perquisites of the Chairman and the Non-Executive Directors as recommended by management, and submitting the Committee's recommendations for Board approval.

All Independent Non-Executive Directors receive fees for serving on sub-committees, **except Dr. Chamara Bandara, who opted not to receive a separate fee for attending Remuneration Committee meetings.**

## DIRECTORS' EMOLUMENTS

Details of Directors' emoluments are disclosed in Note 29 of the Financial Statements of this Annual Report.

## DUTIES AND RESPONSIBILITIES OF THE REMUNERATION COMMITTEE

- Providing advice and recommendations to the Board or the Chairman on appointments.
- Formulating remuneration policies (salaries, allowances and other financial payments) relating to Directors and Key Management Personnel of the Company, and submitting the same for the approval of the Board.
- Formulating broad policy for incentive structures of Executive Directors and Key Corporate Management.
- Evaluating the performance of Key Management Personnel and providing recommendations for revising remuneration, benefits and other performance-based incentives.
- Approving remuneration: Directors' emoluments; annual salary and bonus based on performance evaluations; incentives, allowances and other perquisites.
- Reviewing the Company's remuneration practices and policies to ensure fairness in directors' remuneration.
- Determining the policy for the terms of employment of the Executive Directors.

Dr. Chamara Bandara
Chairman · Remuneration Committee · 31 August 2026

# Report of the Related Party Transactions Review Committee

## PURPOSE

The Related Party Transactions Review Committee assists the Board of Directors in ensuring that all Related Party Transactions (RPTs) are conducted on an arm's length basis and comply with the Listing Rules of the Colombo Stock Exchange (CSE). The Committee is responsible for the independent review of all proposed non-recurrent RPTs between the Company and its Related Parties — either prior to entering into a transaction or, if the transaction is expressed to be conditional on such review, prior to the completion of the transaction.

Further, the Committee reviews all recurrent RPTs on a quarterly and annual basis to ensure compliance with the limits and reporting guidelines specified by the CSE Listing Rules, The Committee is responsible for evaluating and reviewing annually the thresholds for RPTs which require either shareholders' approval or immediate market disclosure.

## COMPOSITION

The Related Party Transaction Review Committee (the Committee), appointed by the Board, consists of two Independent Non-Executive Directors and one Non-Independent Non-Executive Director.

- **Mr. Lakshman Abeysekera** (IND/NED) — Chairman
- **Dr. Chamara Bandara** (IND/NED) — Member
- **Mrs. A. M. Herath** (NIND/NED) — Member

(IND — Independent Director · NED — Non-Executive Director · NIND — Non-Independent Director)

The Chairman of the Committee, Mr. Lakshman Abeysekera, who is an Independent Non-Executive Director, is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka. Brief profiles of the members are set out in the Board of Directors section of this Annual Report. The Company Secretary functioned as Secretary to the Committee.

## ATTENDANCE AT COMMITTEE MEETINGS

The Committee met on **four (4) occasions** during the year 2025/26. Attendance by Committee members was as follows:

| Director | Status | Membership | Attendance |
|---|---|---|---|
| Mr. Lakshman Abeysekera | IND/NED | Committee Chairman | **4/4** |
| Dr. Chamara Bandara | IND/NED | Member | **4/4** |
| Ms. Anuradha Herath | NIND/NED | Member | **4/4** |

The Head of Finance, Finance Controller, and Internal Auditor attended the meetings by invitation.

## TERMS OF REFERENCE

The Committee operates as per the Board approved and formally documented Terms of Reference (TOR), outlining the Committee's authority and duties. The TOR has been carefully designed to discharge the Committee's purpose, duties and responsibilities, and it covers aspects relating to matters prescribed in the Listing Rules of the Colombo Stock Exchange. The Committee discharges its functions in compliance with its TOR, relying primarily on processes validated from time to time and periodic reporting by the relevant entities and Key Management Personnel, with a view to ensuring compliance with the Code and the CSE Listing Rules; that shareholder interests are protected; and that fairness and transparency are maintained.

## MAIN AREAS DISCUSSED AND REVIEWED DURING THE YEAR

The relevant Related Party Transactions between the Company and its related parties were observed by the Committee when required and communicated its observations to the Board. Below mentioned main areas were discussed and reviewed by the Committee:

- Committee formation and Terms of Reference.
- **Analysis of the structure of Kapruka Holdings PLC and its subsidiaries** — the Committee reviewed the organisational structure of the Company and its subsidiaries and recommended appropriate changes to be in line with the Listing Rules of the Colombo Stock Exchange (CSE).
- Assessed the adequacy of related party reporting.
- A **Related Party Transaction policy framework** was proposed by the Committee to guide management in identifying and recording RPTs.
- The Committee proposed to establish a **policy on the management fee**, including the basis of computation and a recovery plan to collect receivables from subsidiaries.
- The Committee reviewed and pre-approved all recurrent and non-recurrent RPTs of the Company and its subsidiaries, along with the disclosures and assurances provided by senior management, in terms of formulated guidelines so as to validate compliance with **Section 9.5(a)** of the Listing Rules.
- Other significant transactions of non-listed subsidiaries were presented to the Committee for information.
- **Established guidelines for the management and reporting of RPTs** — the Committee considered the necessary market disclosures in a timely and detailed manner, and disclosures in the Annual Report as required by applicable rules and regulations.
- **Transaction limits for Board approval** — the Committee proposed to impose transaction limits for the approval of the Board, to proceed as a mode of maintaining good governance within the Company.
- Reviewed thresholds for RPTs between the Company and its subsidiaries requiring either shareholders' approval or immediate market disclosure, based on the Financial Statements for the year ended 31st March 2026.

## DUTIES AND RESPONSIBILITIES

- Adopting policies and procedures to review related party transactions of the Company, and evaluating transactions that fall within the ambit of a normal business relationship and whether the terms of such transactions are no more favourable than would reasonably be expected of transactions negotiated on an arm's length basis.
- Reviewing in advance all proposed related party transactions of the Company and its subsidiaries, either prior to the transaction being entered into or, if the transaction is expressed to be conditional on such review, prior to the completion of the transaction.
- Seeking any information the Committee requires from management, employees or external parties with regard to any transaction entered into with a related party, and determining whether such transactions require Board or shareholder approval.
- Establishing a set of guidelines, as explained in the CSE Listing Rules, where related party transactions are "recurrent in nature", for senior management to follow in their continuing dealings with the relevant related party.
- Ensuring that no Director of the Company participates in any discussion of a proposed related party transaction for which he or she is a related party, unless such Director is requested to do so by the Committee for the express purpose of providing information concerning the related party transaction to the Committee.
- Advising the Board in making immediate market disclosures on applicable RPTs as required by Section 9 of the Continuing Listing Requirements of the CSE.
- Advising the Board in making appropriate disclosures on RPTs in the Annual Report as required by Section 9 of the Continuing Listing Requirements of the CSE.
- Ensuring that necessary policies, procedures, guidelines and manuals to review transactions have been implemented, and ensuring that there is an adequately effective and efficient system in place to capture information relevant to its review function.
- Meeting with management and the Internal and External Auditors as necessary to carry out the assigned duties.

## REPORTING TO THE BOARD

The activities and views of the Committee have been communicated to the Board of Directors through verbal briefings, and minutes of the Committee meetings were tabled at the immediately following Board meeting, enabling all Board members to have access to the same.

## DECLARATION

The Committee has reviewed all related party transactions during the period and has established that they are in the best interest of the Company and comply with all standards of best practice and reporting. Detailed disclosures of Related Party Transactions are provided in the Notes to the Financial Statements of this Annual Report.

Mr. Lakshman Abeysekera
Chairman · Related Party Transactions Review Committee · 31 August 2026

# Nominations and Governance Committee Report

## PURPOSE

The primary function of the Nominations and Governance Committee is to assist the Board in identifying and recommending individuals for appointment to the Board and its Sub-Committees, ensuring an appropriate balance of skills, expertise, independence, and diversity. The Committee was established in accordance with the Colombo Stock Exchange (CSE) Listing Rule 9.11 and is committed to ensuring compliance with the regulatory framework.

## COMPOSITION OF THE COMMITTEE

The Committee comprises Independent, Non-Executive Directors appointed by the Board.

- **Mr. Lakshman Abeysekera** (IND/NED) — appointed to the Committee as Chairman with effect from 1st September 2024
- **Mr. Tishan Subasinghe** (IND/NED) — Member, appointed to the Committee with effect from 3rd July 2024
- **Mr. Suresh Deepal Subasinghe** (IND/NED) — Member, appointed to the Committee with effect from 3rd July 2024
- **Dr. Chamara Bandara** (IND/NED) — Member, appointed to the Committee with effect from 28th September 2024

(IND — Independent Director · NED — Non-Executive Director)

The Chairman of the Committee, Mr. Lakshman Abeysekera, who is an Independent Non-Executive Director, is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka. Mr. Tishan Subasinghe and Dr. Chamara Bandara are also Fellow Members of the Institute of Chartered Accountants of Sri Lanka. Brief profiles of the members of the Committee are given in the Board of Directors section of this Annual Report.

The Company Secretaries of the Company, Kreston Corporate Services (Pvt) Ltd, functioned as the Secretary to the Nominations & Governance Committee.

## NOMINATIONS & GOVERNANCE COMMITTEE MEETINGS

The Committee met on **two (2) occasions** during the year 2025/26. Attendance by the Committee members at these meetings is as follows:

| Name of the Director | Directorship Status | Membership Status | Meeting Attendance |
|---|---|---|---|
| Mr. Lakshman Abeysekera | IND/NED | Committee Chairman | **2/2** |
| Mr. S.M.T.H. Subasinghe | IND/NED | Member | **2/2** |
| Dr. Chamara Bandara | IND/NED | Member | **2/2** |
| Mr. Suresh Subasinghe | IND/NED | Member | **1/2** |

## POLICY AND PROCESS DOCUMENTS

The written Terms of Reference were developed specifying the scope of authority, duties, and matters pertaining to the quorum of meetings.

## PERIODIC EVALUATION

Periodic evaluations have been conducted on the performance of the Board of Directors and the CEO as required by Rule 9.11.5.

## INDUCTION PROGRAMMES / ORIENTATION PROGRAMMES

The Committee has not conducted any induction programmes/orientation programmes since there were no new Director appointments during the year.

## DUTIES AND RESPONSIBILITIES OF THE NOMINATIONS & GOVERNANCE COMMITTEE

The functions of the Nominations and Governance Committee shall include the following:

- Evaluate the appointment of Directors to the Board of Directors and Board Committees of the Listed Entity. However, a Nominations and Governance Committee member shall not participate in decisions relating to his/her own appointment.
- Consider and recommend (or not recommend) the re-appointment/re-election of current Directors taking into account: the combined knowledge, experience, performance and contribution made by the Director to meet the strategic demands of the Listed Entity and the discharge of the Board's overall responsibilities; and the number of directorships held by the Director in other listed and unlisted companies and other principal commitments.
- Establish and maintain a formal transparent procedure to evaluate, select and appoint/re-appoint Directors of the Listed Entity.
- Establish and maintain a set of criteria for selection of Directors such as the academic/professional qualifications, skills, experience and key attributes required for eligibility, taking into consideration the nature of the business of the Entity and industry-specific requirements.
- Establish and maintain a suitable process for the periodic evaluation of the performance of the Board of Directors and the CEO of the Entity to ensure that their responsibilities are satisfactorily discharged.
- Develop a succession plan for the Board of Directors and Key Management Personnel of the Listed Entity.
- Review the structure, size and composition of the Board and Board Committees with regard to effective discharge of duties and responsibilities.
- Review and recommend the overall corporate governance framework of the Listed Entity taking into account the Listing Rules of the Exchange, other applicable regulatory requirements and industry/international best practices.
- Periodically review and update the Corporate Governance Policies/Framework of the Entity in line with the regulatory and legal developments relating to same, as a best practice.
- Receive reports from the Management on compliance with the Corporate Governance framework of the Entity including the Entity's compliance with provisions of the SEC Act, Listing Rules of the Exchange and other applicable laws, together with any deviations/non-compliances and the rationale for same.

## ACTIVITIES DURING THE YEAR

The Committee considered and recommended to the Board of Directors on 10th July 2026 the re-appointment of the following Directors at the Annual General Meeting to be held for the year 2026:

1. Mrs. Ranasinghe Arachchige Thilangani Herath, who was first appointed to the Board on 7th February 2002, was last reappointed on 24th September 2025. She is due to retire under Section 211 of the Companies Act No. 7 of 2007. The Committee recommended to the Board that they recommend the election of Mrs. Herath to the shareholders. (Mrs. Herath has a close family relationship with the Chairman/Managing Director/holder of 80 percent of the shares of the Company.)
2. Accordingly, out of the six Non-Executive Directors (2 Non-Independent and 4 Independent), the Director referred to in 1 above is not considered in terms of Article 88(1) for retirement by rotation. Out of the remaining five, two directors — Dr. Dingiri Bandage Sunil Chamara Bandara (reappointed on 27th September 2024) and Mr. Suresh Deepal Subasinghe (reappointed on 27th September 2024) — are due to retire in terms of Article 88(1). The Committee recommended to the Board that they recommend the election of Dr. Dingiri Bandage Sunil Chamara Bandara and Mr. Suresh Deepal Subasinghe to the shareholders. In terms of Article 88(1) of the Articles of Association of the Company, one-third of the directors for the time being — or if their number is not a multiple of three, the number nearest to but not greater than one-third — retire from office. Accordingly, out of the five remaining directors aforesaid, one-third of directors to retire shall be two (2).

## ANNUAL UPDATES GIVEN TO THE DIRECTORS ON CORPORATE GOVERNANCE, LISTING RULES, SECURITIES REGULATIONS AND OTHER APPLICABLE LAWS AND REGULATIONS / DECLARATIONS

The Secretaries were provided declarations from the Independent Directors as to their independence as per the declaration referred to in Appendix 9A of the Listing Rules for the year ended 31st March 2026. The Secretaries were also provided declarations by the Non-Executive Directors as per Appendix 9C.

Mr. Lakshman Abeysekera

Chairman · Nominations and Governance Committee · 31 August 2026

SECTION SEVEN

# The Numbers Behind the Inflection.

*Directors' report, statement of directors' responsibility, the independent auditor's report, the primary statements and notes to the financial statements.*

For the year ended 31 March 2026

# Annual Report of the Board of Directors on the State of Affairs of the Company

The Annual Report of the Board of Directors on the State of Affairs of the Company is presented as required by Section 168 of the Companies Act No. 07 of 2007, as amended ("the Companies Act").

## 1. GENERAL

The Board of Directors of Kapruka Holdings PLC has pleasure in presenting its Report on the affairs of the Company, together with the Audited Consolidated Financial Statements of the Company and its subsidiaries ("the Group") for the year ended 31 March 2026. The information contained in this Report provides the pertinent disclosures required under Section 168 of the Companies Act No. 07 of 2007, the Listing Rules of the Colombo Stock Exchange ("CSE"), and applicable corporate governance requirements. Kapruka Holdings PLC is a public limited liability company incorporated and domiciled in Sri Lanka. The ordinary shares of the Company are listed on the Main Board of the Colombo Stock Exchange. The registered office and principal place of business of the Company are situated at No. 147, Old Kottawa Road, Mirihana, Nugegoda. The Financial Statements have been prepared in compliance with Sri Lanka Accounting Standards (SLFRS/LKAS) and the requirements of the Companies Act No. 07 of 2007.

## 2. PURPOSE AND VALUES

In pursuing the objectives of the Company and creating sustainable long-term value for its stakeholders, the Directors, management and employees of the Group are expected to conduct their activities with integrity, accountability and high ethical standards, in accordance with the values and governance principles adopted by the Group.

## 3. REVIEW OF THE BUSINESS

**3.1 Principal Business Activities** — Kapruka Holdings PLC is the holding company of the Kapruka Group and manages a portfolio of businesses principally engaged in e-commerce, manufacturing, technology services and cross-border commerce.

**3.1.1 The Company** — Kapruka Holdings PLC functions as the holding company of the Group and provides management and administrative services to companies within the Group.

**3.1.2 Subsidiaries and Associate** — As at 31 March 2026, the Group comprised the following six subsidiaries and one associate:

| Entity | Principal Activity | Holding |
|---|---|---|
| Kapruka E-Commerce (Pvt) Ltd | Online retailing / e-commerce | 100% |
| Kapruka Production (Pvt) Ltd | Manufacturing cakes and flowers | 100% |
| Kapruka Techroot (Pvt) Ltd | Web services | 100% |
| Kapruka USA LLC | Global payment gateway integration and cross-border operations | 100% |
| Kapruka Ventures (Pvt) Ltd | Trading and distribution of global products | 100% |
| Kapruka Global UK Ltd | Cross-border operations in the UK | 100% |
| Kapruka Global Shop (Pvt) Ltd | Importing and selling orders through online channels | 25% – Associate |

The ownership and principal activities of the subsidiaries and associate are disclosed in Notes 3.3 and 3.4 to the Financial Statements.

# Review of the business · continued

**3.2 Review of Operations** — A detailed review of the operations, financial performance, strategic developments and outlook of the Company and the Group is provided in the Chairman/CEO's Review and the Management Discussion and Analysis sections of this Annual Report. The Group recorded a significant improvement in financial performance during 2025/26, returning to profitability following the loss recorded in the preceding financial year.

**3.3 Changes to the Company Structure** — There were no material changes to the overall Group structure during the financial year ended 31 March 2026.

**3.4 Financial Statements** — The Financial Statements of the Company and the Group for the year ended 31 March 2026 have been prepared in accordance with Sri Lanka Accounting Standards (SLFRS/LKAS), the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 and the requirements of the Companies Act No. 07 of 2007.

**3.5 Auditors' Report** — Messrs. Ernst & Young, Chartered Accountants, are the External Auditors of the Company and the Group. The Independent Auditors' Report on the Financial Statements for the year ended 31 March 2026 forms part of this Annual Report.

**3.6 Accounting Policies** — The accounting policies adopted in preparing the Financial Statements are set out in the Notes to the Financial Statements. These policies have been applied consistently by the Group entities to the periods presented, unless otherwise stated.

**3.7 Interests Register** — The Company maintains an Interests Register in accordance with the requirements of the Companies Act No. 07 of 2007. The Directors have made the necessary general disclosures of their interests in transactions in accordance with the applicable provisions of the Companies Act.

**3.7.1 Directors' Interests in Transactions** — Related party transactions involving Directors and Key Management Personnel are disclosed in the Notes to the Financial Statements. The Key Management Personnel of the Company comprise the members of its Board of Directors.

**3.7.2 Directors' Interests in Shares** — The Directors' shareholdings as at 31 March 2026 were: Mr. H. P. D. V. Herath – Chairman & CEO — 131,304,360; Mrs. A. M. Herath — Nil; Mrs. R. A. T. Herath — Nil; Mr. S. M. T. H. Subasinghe — Nil; Mr. D. B. S. C. Bandara — Nil; Mr. L. Abeysekera — Nil; Mr. S. Subasinghe — Nil. There were no changes in these holdings compared with the preceding year.

**3.7.3 Directors' Remuneration** — Directors' fees and emoluments of the Company for the year ended 31 March 2026 amounted to Rs. 12.283 million, compared with Rs. 13.287 million in the previous year.

## 4. FUTURE DEVELOPMENTS

The Group's future strategy and developments, including its focus on digital commerce, technology, AI-enabled capabilities, cross-border operations, operational efficiency and sustainable value creation, are discussed in the Chairman/CEO's Review, Strategic Direction and Management Discussion and Analysis sections of this Annual Report.

## 5. PERFORMANCE AND RESERVES

**5.1 Performance** — The Group recorded revenue of Rs. 1,927.14 million for the year ended 31 March 2026, compared with Rs. 1,652.24 million in the previous year. The Group recorded a profit before tax of Rs. 27.11 million, compared with a loss before tax of Rs. 117.02 million in 2024/25. After an income tax expense of Rs. 15.09 million, the Group recorded a profit for the year of Rs. 12.02 million, compared with a loss of Rs. 142.37 million in the previous year. The Company recorded a profit before tax of Rs. 89.85 million and a profit after tax of Rs. 75.47 million for the year. This represents a significant turnaround in Group performance during the year.

**5.2 Reserves** — As at 31 March 2026, Group total equity amounted to Rs. 827.27 million, compared with Rs. 812.66 million as at 31 March 2025. The Group's revaluation reserve amounted to Rs. 172.77 million, while retained earnings stood at a negative Rs. 112.68 million. The foreign currency translation reserve was negative Rs. 1.99 million. The composition and movements in reserves are set out in the Statement of Changes in Equity.

# Assets, capital and the Board

## 6. PROPERTY, PLANT AND EQUIPMENT

During the financial year, the Group incurred Rs. 32.17 million on the acquisition of property, plant and equipment, compared with Rs. 61.19 million in the previous year. The corresponding expenditure by the Company amounted to Rs. 0.57 million. As at 31 March 2026, the carrying value of property, plant and equipment amounted to Rs. 770.32 million for the Group and Rs. 531.99 million for the Company.

## 7. MARKET VALUE OF FREEHOLD PROPERTIES

The Group's lands are carried at fair value and are subject to independent valuations by qualified valuers. The basis of valuation, carrying amounts, fair values and related disclosures are provided in the relevant Notes to the Financial Statements.

## 8. ISSUE OF SHARES

The stated capital of the Company as at 31 March 2026 was Rs. 769,174,795, represented by 164,130,360 fully paid ordinary voting shares. No shares were issued during the year and there was no change in stated capital. Information relating to earnings per share, net assets, market prices, trading activity and distribution of shareholdings is presented in the Shareholder Information section of this Annual Report.

## 8.1 VARIATION OF APPLICATION OF FUNDS IN RESPECT OF OBJECTIVE AS STATED IN THE PROSPECTUS DATED 14TH DECEMBER 2021, ISSUED BY THE COMPANY

**Used-goods Marketplace under the objective set out in Clause 3.5.2 of the Prospectus dated 14 December 2021**

The Company has obtained shareholder approval for the variation in the application of funds amounting to Rs. 50,000,000, being the unutilized funds originally allocated to the objective set out in Clause 3.5.2 of the Prospectus dated 14 December 2021 relating to the Used-goods Marketplace, and the subsequent variation thereof approved by the shareholders at the Annual General Meeting held on 26 September 2022, to launch a marketplace platform for personal cargo collection and delivery from the Sri Lankan diaspora together with a door-to-door tracking system. The objective was to develop and establish the Petti Petti service as an additional business initiative of the Group, with the required system and technology capabilities intended to be developed primarily through the Group’s in-house technical resources.

However, the management has assessed prevailing market conditions, expected customer demand, competition, regulatory requirements, operating requirements and expected financial returns, and has concluded that the launch and operation of the personal cargo collection and delivery marketplace is not commercially viable under the current market condition. Hence the management recommended that the unutilized funds amounting to Rs. 50,000,000/- be allocated towards the working capital requirements of the company, thereby strengthening the Financial Position. The management believes that this reallocation will enhance the Company’s financial stability and provide a robust foundation for its future initiatives.

# Assets, capital and the Board · continued

## 9. DIRECTORS

The Board comprised seven Directors as at 31 March 2026, consisting of one Executive Director and six Non-Executive Directors. The Directors serving as at 31 March 2026 were: Mr. H. P. D. V. Herath – Chairman & Chief Executive Officer; Mrs. A. M. Herath; Mrs. R. A. T. Herath; Mr. S. M. T. H. Subasinghe; Mr. D. B. S. C. Bandara; Mr. L. Abeysekera; Mr. S. Subasinghe. The profiles of the Directors and their classification as Executive, Non-Executive and Independent Directors are presented in the Board of Directors and Corporate Governance sections of this Annual Report. In terms of the recommendations of the Nominations & Governance Committee: Mrs. R. A. T. Herath retires under Section 211 of the Companies Act No. 7 of 2007 and is recommended for re-election; Dr. D. B. S. C. Bandara and Mr. S. D. Subasinghe retire by rotation in terms of Article 88(1) of the Articles of Association and, being eligible, are recommended for re-election at the forthcoming Annual General Meeting.

## 10. SENIOR INDEPENDENT DIRECTOR

The Company continues to maintain the role of Senior Independent Director in accordance with the applicable CSE Listing Rules. Further information regarding the role and activities of the Senior Independent Director is presented in the Corporate Governance section and the Statement by the Senior Independent Director.

## 11. BOARD SUB-COMMITTEES

The Board has established the following principal committees to assist in discharging its responsibilities: **11.1 Audit Committee** — assists the Board in overseeing financial reporting, internal controls, internal and external audit and risk-related matters. **11.2 Remuneration Committee** — assists the Board in determining and reviewing remuneration policies and arrangements. **11.3 Related Party Transactions Review Committee** — reviews related party transactions in accordance with the applicable regulatory requirements. **11.4 Nominations and Governance Committee** — assists the Board on Board composition, appointments, succession, evaluation and governance matters. Detailed reports of each Committee are presented separately in this Annual Report.

## 12. RELATED PARTY TRANSACTIONS

The Board confirms that related party transactions entered into during the financial year were reviewed in accordance with the applicable requirements. The Financial Statements state that related party transactions were carried out in the ordinary course of business at commercial rates. The Company also invested IPO funds in equity shares of Kapruka E-Commerce (Pvt) Ltd during the year in connection with its IPO objectives, with the required market announcements being made. The Financial Statements further state that there were no other non-recurrent related party transactions exceeding the applicable thresholds requiring additional Annual Report disclosure, and no other recurrent related party transactions exceeding the applicable consolidated-revenue threshold.

# Compliance, governance and meeting

## 13. ENVIRONMENTAL PROTECTION

The Group recognises its responsibility to conduct its activities in an environmentally responsible manner. Details of environmental performance, initiatives and the Group's environmental baseline are presented in the Natural Capital and Sustainability Reporting sections of this Annual Report.

## 14. STATUTORY PAYMENTS

The Directors, to the best of their knowledge and belief, are satisfied that statutory payments due to the Government, regulatory institutions and those relating to employees have been made or, where relevant, have been appropriately provided for in the Financial Statements.

## 15. OUTSTANDING LITIGATION, COMMITMENTS AND CONTINGENCIES

The Directors have considered the Group's commitments, contingencies and legal matters as at the reporting date. The Financial Statements state that there were no significant capital commitments, contingent assets or contingent liabilities as at 31 March 2026 requiring disclosure.

## 16. COMPLIANCE WITH LAWS AND REGULATIONS

The Board is responsible for ensuring that the Company and the Group conduct their activities in compliance with applicable laws, regulations, CSE Listing Rules and other regulatory requirements.

## 17. EVENTS AFTER THE REPORTING DATE

Subsequent to the reporting date, the Board approved the disposal of the Group’s land and building to a related party. The transaction was completed on 6 June 2026 for a consideration of approximately Rs. 76.7 million, based on an independent valuation of the property. Further details are disclosed in Note 34 to the Financial Statements. Other than this, there were no material events occurring after the reporting date requiring adjustment to or disclosure in the Financial Statements.

## 18. GOING CONCERN

The Directors have assessed the Group's ability to continue as a going concern and are satisfied that the Group has adequate resources to continue in business for the foreseeable future. The Board is not aware of any material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern. Accordingly, the Financial Statements for the year ended 31 March 2026 have been prepared on the going concern basis.

## 19. APPOINTMENT OF AUDITORS

In accordance with the Companies Act No. 07 of 2007, a resolution for the reappointment of Messrs. Ernst & Young, Chartered Accountants, as Auditors of the Company for the financial year 2026/27 will be proposed at the forthcoming Annual General Meeting, subject to the applicable statutory requirements.

## 20. AUDITORS' REMUNERATION AND INTEREST IN CONTRACTS

The remuneration relating to the statutory audit for the year ended 31 March 2026 amounted to Rs. 1.660 million for the Group and Rs. 0.900 million for the Company. Fees relating to non-audit services amounted to Rs. 1.777 million for the Group and Rs. 1.177 million for the Company. A resolution authorising the Directors to determine the remuneration of the Auditors for the ensuing financial year will be proposed at the Annual General Meeting.

## 21. RATIOS AND MARKET PRICE INFORMATION

The market price of the Company's shares during the year ranged from Rs. 7.10 to Rs. 36.00, with the share closing at Rs. 23.80 as at 31 March 2026, compared with Rs. 7.90 as at 31 March 2025. The market capitalisation of the Company as at 31 March 2026 was approximately Rs. 3.906 billion. Further information is presented in the Shareholder Information section.

## 22. EMPLOYEES AND INDUSTRIAL RELATIONS

The Group recognises that its people are fundamental to the creation of sustainable long-term value and continues to promote employee development, engagement, capability building and career progression. The Group employed 236 employees as at 31 March 2026. Further information on the Group's people strategy and human resource practices is presented in the Human Capital section of this Annual Report.

## 23. SHAREHOLDERS

The Company remains committed to equitable treatment of shareholders and to timely, transparent and meaningful communication with the investment community. As at 31 March 2026, the Company had 2,706 shareholders and a public holding of 20% of issued share capital. Detailed information on the distribution of shareholdings and public shareholding is presented in the Shareholder Information section.

# Corporate governance and the Annual General Meeting

## 24. INTERNAL CONTROLS

The Directors acknowledge their responsibility for maintaining an adequate and effective system of internal controls designed to safeguard the Group's assets, maintain proper accounting records, support reliable financial reporting, manage key risks and promote compliance with applicable policies and regulations. The Board, through the Audit Committee, reviews the adequacy and effectiveness of the Group's internal control and risk management framework, supported by the internal and external audit functions. Further details are provided in the Board of Directors' Statement on Internal Controls, Audit Committee Report and Risk Management section of this Annual Report.

## 25. CORPORATE GOVERNANCE

The Board remains committed to maintaining high standards of corporate governance, accountability, transparency and ethical conduct. The manner and extent to which the Company has complied with applicable corporate governance requirements and the CSE Listing Rules are set out in the Corporate Governance Report.

## 26. ANNUAL GENERAL MEETING

The Twenty Fourth (24th) Annual General Meeting of Kapruka Holdings PLC will be held on 25th September 2026 at 11.00 a.m. by means of audio and visual communication, centered at the Board Room of the Company, No. 147, Old Kottawa Road, Mirihana, Nugegoda.

## 27. NOTICE OF MEETING

The Notice of the Annual General Meeting and the resolutions to be proposed to shareholders are set out in the Notice of Meeting section of this Annual Report.

On behalf of the Board

Dulith V. Herath
Chairman & Chief Executive Officer

Kreston Corporate Services (Pvt) Ltd
Secretaries of the Company

Thilangani Herath
Director

31 August 2026 · Colombo

# Board of Directors' Statement on Internal Controls.

## REQUIREMENT

In accordance with the Code of Best Practice on Corporate Governance 2023 issued jointly by the Securities and Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka, the Board of Directors presents this Statement on Internal Controls.

## RESPONSIBILITY

The Board of Directors is responsible for ensuring the adequacy and effectiveness of the Company's internal-control system. This system is designed to manage key risks within an acceptable risk profile rather than to eliminate the risk of failure to achieve business objectives. Accordingly, the internal-control system can provide only reasonable — and not absolute — assurance against material misstatements in management and financial information, or against financial losses and fraud.

The Board has implemented an ongoing process for identifying, evaluating and managing significant risks faced by the Company. This process is periodically enhanced to reflect changes in the business environment and regulatory framework. The Board has assessed the internal control system in line with the principles set out in the relevant guidance and is of the view that it is sound and adequate to provide reasonable assurance on the reliability of financial reporting and compliance with applicable accounting standards and regulatory requirements. The management supports the Board in implementing its policies and procedures.

## KEY INTERNAL-CONTROL PROCESSES

The following key processes are in place to review the adequacy and integrity of the internal control system with respect to financial reporting:

**Board sub-committees.** Established to ensure that the Group's operations align with corporate objectives, strategy, annual budget, policies, and prevailing business conditions.

**Internal-audit function.** Provides assurance on the efficiency and effectiveness of internal controls, monitors compliance with policies and procedures, and reports significant non-compliance findings. All subsidiaries are audited based on a risk assessment, with the annual audit plan reviewed and approved by the Audit Committee.

**Audit Committee review.** Evaluates internal-control issues identified by internal and external auditors, regulatory authorities and management. The Committee also oversees the continuous review and updating of procedures and controls relevant to significant accounts and disclosures in the Group's financial statements.

## CONFIRMATION

The Board of Directors of Kapruka Holdings PLC confirms that the financial reporting system has been designed to provide reasonable assurance on the reliability of financial reporting and that the preparation of financial statements for external purposes is in compliance with Sri Lanka Accounting Standards, the Companies Act No. 7 of 2007, the CSE Listing Rules, requirements of the SEC of Sri Lanka, and all other applicable regulatory requirements.

**By Order of the Board**

**Dulith V. Herath**
Chairman / Chief Executive Officer
31 August 2026

**Dr. Chamara Bandara**
Chairman, Audit Committee

# Chief Executive Officer & Chief Finance Officer's Responsibility Statement.

The Financial Statements of the Company have been prepared in accordance with the Sri Lanka Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka, the Companies Act No. 7 of 2007, the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, and the Listing Rules of the Colombo Stock Exchange.

The Board of Directors and Management accept responsibility for the integrity and objectivity of these Financial Statements. Estimates and judgements have been applied on a prudent and reasonable basis to ensure that the Financial Statements present, in all material respects, a true and fair view of the Company's state of affairs, and faithfully reflect the form and substance of transactions.

The Company has implemented and maintains a system of internal controls and accounting records designed to safeguard assets, and to prevent and detect fraud and other irregularities. These systems are reviewed, evaluated and updated on an ongoing basis. Periodic internal audits are conducted to provide reasonable assurance of compliance with established policies and procedures. Inherent limitations must be recognised when assessing the assurances provided by any system of internal control and accounting.

The Financial Statements have been audited by the Independent Auditors, Messrs Ernst & Young, Chartered Accountants. The Audit Committee meets periodically with both the Internal Auditors and the Independent Auditors to review their work, discuss internal control, auditing, and financial reporting matters. The Auditors have full and unrestricted access to the Audit Committee to raise any matter of importance.

**Dulith V. Herath**
Chief Executive Officer

**Manjula Dharmasri Kumara**
Head of Finance

31 August 2026

# INDEPENDENT AUDITOR'S REPORT

Shape the future with confidence

Ernst & Young
Chartered Accountants
Rotunda Towers
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**TO THE SHAREHOLDERS OF KAPRUKA HOLDINGS PLC**

## Report on the audit of the Financial Statements

### Opinion

We have audited the financial statements of Kapruka Holdings PLC ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group"), which comprise the statement of financial position as at 31 March 2026, and statements of Profit or Loss and Other Comprehensive Income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at 31 March 2026, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

### Basis for opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the code of ethics for professional accountants issued by CA Sri Lanka (Code of Ethics) and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Revenue from Contracts with Customers**<br><br>The Group derived its revenue of Rs. 1.92 Bn from E - Commerce services as disclosed in Note 25 to the financial statements.<br><br>Revenue from contracts with customers was a key audit matter due to;<br><br>• The materiality of revenue reported during the year.<br>• The Group has processes and controls, many of which are automated, to enable the processing and recording of revenue. | **Our audit procedures include the following:**<br><br>• We evaluated the design and tested the operating effectiveness of relevant key controls over the recognition of revenue. Our procedures included testing the general IT control environment and the key IT application controls relating to significant IT systems relevant to revenue recognition.<br>• We performed appropriate analytical procedures to understand and assess the reasonableness of the reported revenue.<br>• We tested the appropriateness of revenue recognized during the year, particularly towards year end, by reviewing relevant sales invoices, delivery confirmations and other relevant supporting documents.<br><br>We also assessed the adequacy of the disclosures in respect of revenue in Note 3.20.1 and 25 to the financial statements |
| **Assessment of fair value of Land**<br><br>Property, Plant and Equipment include land carried at fair value. The fair value of land were determined by external valuers engaged by the Group.<br><br>This was a key audit matter due to:<br><br>• The materiality of the reported fair value gain of land which amounted to Rs.10.6 Mn for the reporting date; and<br>• The degree of assumptions, judgements and estimation uncertainties associated with fair valuation of land using the market approach.<br><br>Key areas of significant judgments, estimates and assumptions used in assessing the fair value of land, as disclosed in Notes 06 to the financial statements, included judgements involved in ascertaining the appropriate valuation techniques and estimates such as:<br><br>• Estimate of per perch value of the land. | **Our audit procedures included the following:**<br><br>• Assessed the competency, capability and objectivity of the external valuer engaged by the Group.<br>• Read the external valuer's report and understood the key estimates made and the approach taken by the valuer in determining the valuation of each land.<br>• Assessed the reasonableness of significant assumptions, judgements and estimates made by the valuer such as per perch value, valuation techniques as relevant in assessing the fair value of each land.<br><br>We also assessed the adequacy of the disclosures made in Notes 06 to the financial statements. |

### Other Information included in the 2025/26 Annual Report

Other information consists of the information included in the Annual Report, other than the financial statements and our auditor’s report thereon. Management is responsible for the other information. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the financial reporting process of both Company and Group.

### Auditor’s responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company and the Group.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

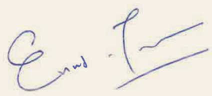
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 4169.



31 August 2026

Colombo

# STATEMENT OF FINANCIAL POSITION

As at 31 March 2026

| | Note | Group | | Company | |
|---|---|---|---|---|---|
| | | 2026 Rs. | 2025 Rs. | 2026 Rs. | 2025 Rs. |
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 6. | 770,319,741 | 762,314,371 | 531,991,837 | 537,407,477 |
| Investment properties | 7. | 221,414,000 | 204,195,000 | 144,706,000 | 133,208,000 |
| Right-of-use assets | 8. | 62,461,213 | 28,500,907 | 61,708,008 | 28,088,228 |
| Intangible assets | 9. | 11,607,280 | 13,401,958 | 477,280 | 681,958 |
| Investments in subsidiaries | 10. | — | — | 749,447,514 | 719,447,509 |
| Investments in associates | 11. | — | — | — | — |
| Other non-current financial assets | 12. | — | — | — | — |
| Deferred tax assets | 22. | 10,993,253 | 10,728,391 | — | — |
| | | **1,076,795,487** | **1,019,140,627** | **1,488,330,639** | **1,418,833,172** |
| **Current assets** | | | | | |
| Inventories | 13. | 172,973,445 | 136,936,986 | — | — |
| Trade and other receivables | 14. | 35,461,377 | 22,865,277 | 968,949 | 4,999,932 |
| Amounts due from related parties | 15.1 | 42,818,744 | 41,927,883 | 67,702,181 | 8,327,859 |
| Deposits, advances and prepayments | 16. | 16,349,564 | 22,973,820 | 3,042,620 | 3,500,455 |
| Income tax receivable | 23.1 | 3,524,580 | — | 3,153,572 | — |
| Short term financial assets | 17. | 91,510,514 | 190,710,519 | 91,510,514 | 190,710,519 |
| Cash and cash equivalents | 18.1 | 46,730,596 | 36,166,054 | 2,576,415 | 2,897,650 |
| | | **409,368,820** | **451,580,539** | **168,954,251** | **210,436,415** |
| **Total assets** | | **1,486,164,307** | **1,470,721,166** | **1,657,284,890** | **1,629,269,586** |

Equity and liabilities continue on the following page.

# STATEMENT OF FINANCIAL POSITION · CONTINUED

As at 31 March 2026

| | Note | Group | | Company | |
|---|---|---|---|---|---|
| | | 2026<br>Rs. | 2025<br>Rs. | 2026<br>Rs. | 2025<br>Rs. |
| **EQUITY AND LIABILITIES** | | | | | |
| **Capital and reserves** | | | | | |
| Stated capital | 19.1 | 769,174,795 | 769,174,795 | 769,174,795 | 769,174,795 |
| Revaluation reserve | 19.2 | 172,767,263 | 165,347,263 | 156,705,433 | 151,245,433 |
| Foreign currency translation reserve | 19.3 | (1,986,800) | 113,847 | — | — |
| Retained earnings | | (112,682,488) | (121,975,918) | 388,667,425 | 314,364,420 |
| **Total equity** | | **827,272,770** | **812,659,987** | **1,314,547,653** | **1,234,784,648** |
| **Non-current liabilities** | | | | | |
| Interest-bearing loans and borrowings | 20. | 166,137,835 | 196,994,708 | 149,044,817 | 157,533,340 |
| Retirement benefit obligations | 21. | 46,527,066 | 35,730,419 | 15,964,122 | 11,650,933 |
| Deferred tax liabilities | 22. | 92,615,592 | 84,412,266 | 88,689,466 | 81,636,722 |
| | | **305,280,493** | **317,137,393** | **253,698,405** | **250,820,995** |
| **Current liabilities** | | | | | |
| Interest-bearing loans and borrowings | 20. | 96,008,097 | 100,090,030 | 66,912,134 | 32,802,693 |
| Trade and other payables | 23. | 113,660,668 | 152,449,269 | 6,202,296 | 7,641,280 |
| Amounts due to related parties | 15.3 | 67,111,141 | 45,333,827 | — | 85,503,826 |
| Income tax payable | 23.1 | — | 2,133,508 | — | 2,483,900 |
| Provisions and accrued expenses | 24. | 76,831,138 | 40,917,154 | 15,924,401 | 15,232,243 |
| | | **353,611,044** | **340,923,786** | **89,038,831** | **143,663,942** |
| **Total equity and liabilities** | | **1,486,164,307** | **1,470,721,166** | **1,657,284,890** | **1,629,269,586** |

The accounting policies and notes on pages 119 to 187 form an integral part of these financial statements. Figures in brackets indicate deductions.

These Financial Statements have been prepared in compliance with the requirements of Companies Act No. 7 of 2007.

**Manjula Kumara**
HEAD OF FINANCE

The Board of Directors is responsible for these financial statements.

**Dulith V Herath**
DIRECTOR

**Thilangani Herath**
DIRECTOR

31 August 2026
Colombo

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 March 2026

| | Note | Group | | Company | |
|---|---|---|---|---|---|
| | | 2026<br>Rs. | 2025<br>Rs. | 2026<br>Rs. | 2025<br>Rs. |
| Revenue from contracts with customers | 25. | 1,927,136,213 | 1,652,243,022 | 210,610,528 | 199,830,324 |
| Cost of sales | | (1,184,963,790) | (1,099,776,860) | — | — |
| **Gross profit** | | **742,172,423** | **552,466,161** | **210,610,528** | **199,830,324** |
| Other income | 26. | 88,798,461 | 46,291,544 | 65,406,961 | 24,712,482 |
| Selling and distribution expenses | | (289,052,425) | (286,924,074) | — | — |
| Administrative expenses | | (537,351,117) | (458,733,019) | (179,631,615) | (165,486,586) |
| **Results from operating activities** | | **4,567,342** | **(146,899,389)** | **96,385,874** | **59,056,220** |
| Share of profit/(loss) of investment in associates | 11. | — | — | — | — |
| Finance cost | 27. | (30,732,701) | (30,662,981) | (23,248,259) | (39,282,910) |
| Finance income | 28. | 53,277,222 | 60,543,345 | 16,712,346 | 28,731,976 |
| Net finance income | | 22,544,521 | 29,880,364 | (6,535,913) | (10,550,934) |
| **Profit/(loss) before tax** | **29.** | **27,111,862** | **(117,019,024)** | **89,849,962** | **48,505,287** |
| Income tax expense | 30. | (15,090,002) | (25,350,667) | (14,376,556) | (24,157,213) |
| **Profit/(loss) for the year** | | **12,021,861** | **(142,369,691)** | **75,473,406** | **24,348,074** |

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME · CONTINUED

Year ended 31 March 2026

| | Note | Group | | Company | |
|---|---|---|---|---|---|
| | | 2026 Rs. | 2025 Rs. | 2026 Rs. | 2025 Rs. |
| **Other comprehensive income** | | | | | |
| Other comprehensive income that may be reclassified to statement of profit or loss in subsequent periods | | | | | |
| Exchange difference on translation of foreign operation | 19.3 | (2,100,647) | (112,307) | — | — |
| **Net other comprehensive income that may be reclassified to statement of profit or loss in subsequent periods** | | **(2,100,647)** | **(112,307)** | **—** | **—** |
| Other comprehensive income that may not be reclassified to statement of profit or loss in subsequent periods | | | | | |
| Actuarial gains/(losses) on defined benefit plans | 21. | (3,897,757) | (4,906,977) | (1,672,001) | (329,192) |
| Income tax effect on defined benefit plan | 22.1 | 1,169,327 | 1,472,093 | 501,600 | 98,758 |
| Revaluation gain/(loss) on land | 19.2 | 10,600,000 | 26,330,000 | 7,800,000 | 18,880,000 |
| Income tax effect on revaluation on land | 22.1 | (3,180,000) | (7,700,589) | (2,340,000) | (5,613,990) |
| **Net other comprehensive income that may not be reclassified to statement of profit or loss in subsequent period** | | **4,691,570** | **15,194,527** | **4,289,599** | **13,035,576** |
| **Other comprehensive income for the year, net of tax** | | **2,590,923** | **15,082,220** | **4,289,599** | **13,035,576** |
| **Total comprehensive income for the year, net of tax** | | **14,612,784** | **(127,287,471)** | **79,763,005** | **37,383,650** |
| **Profit attributable to:** | | | | | |
| Equity holders of the parent company | | 12,021,861 | (142,369,691) | 75,473,406 | 24,348,074 |
| Non-controlling interest | | — | — | — | — |
| | | **12,021,861** | **(142,369,691)** | **75,473,406** | **24,348,074** |
| **Total comprehensive income attributable to:** | | | | | |
| Equity holders of the parent company | | 14,612,784 | (127,287,471) | 79,763,005 | 37,383,650 |
| Non-controlling interest | | — | — | — | — |
| | | **14,612,784** | **(127,287,471)** | **79,763,005** | **37,383,650** |
| **Basic/diluted earnings/(deficit) per share** | 31. | **0.07** | **(0.87)** | **0.46** | **0.15** |

The accounting policies and notes on pages 119 to 187 form an integral part of these financial statements. Figures in brackets indicate deductions.

# STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2026

**Group**

| | | Attributable to equity holders of the parent | | | | |
|---|---|---|---|---|---|---|
| | Note | Stated capital Rs. | Revaluation Reserve Rs. | Retained earnings Rs. | Foreign currency translation reserve Rs. | Total Rs. |
| **Balance as at 31 March 2024** | | **769,174,795** | **146,717,852** | **23,828,657** | **226,154** | **939,947,458** |
| Loss for the year | | — | — | (142,369,691) | — | (142,369,691) |
| **Other comprehensive income** | | | | | | |
| Actuarial gains/(losses) on defined benefit plans | 21. | — | — | (4,906,977) | — | (4,906,977) |
| Income tax effect on defined benefit plan | 22.1 | — | — | 1,472,093 | — | 1,472,093 |
| Revaluation Gain/(Loss) | | — | 26,330,000 | — | — | 26,330,000 |
| Foreign currency translation differences of foreign operations | 19.3 | — | — | — | (112,307) | (112,307) |
| Income tax effect on revaluation on Land | 22.1 | — | (7,700,589) | — | — | (7,700,589) |
| **Total other comprehensive income/(loss), net of tax** | | **—** | **18,629,411** | **(3,434,884)** | **(112,307)** | **15,082,220** |
| **Total comprehensive income/(loss) for the year, net of tax** | | **—** | **18,629,411** | **(145,804,575)** | **(112,307)** | **(127,287,471)** |
| **Balance as at 31 March 2025** | | **769,174,795** | **165,347,263** | **(121,975,918)** | **113,847** | **812,659,986** |

The accounting policies and notes on pages 119 to 187 form an integral part of these financial statements. Figures in brackets indicate deductions.

The Group statement of changes in equity continues on the following page.

## STATEMENT OF CHANGES IN EQUITY · CONTINUED

Year ended 31 March 2026

**Group**

| | | Attributable to equity holders of the parent | | | | |
|---|---|---|---|---|---|---|
| | Note | Stated capital Rs. | Revaluation Reserve Rs. | Retained earnings Rs. | Foreign currency translation reserve Rs. | Total Rs. |
| **Balance as at 31 March 2025** | | **769,174,795** | **165,347,263** | **(121,975,918)** | **113,847** | **812,659,986** |
| Profit for the year | | — | — | 12,021,861 | — | 12,021,861 |
| **Other comprehensive income** | | | | | | |
| Actuarial gains/(losses) on defined benefit plans | 21. | — | — | (3,897,757) | — | (3,897,757) |
| Income tax effect on defined benefit plan | 22.1 | — | — | 1,169,327 | — | 1,169,327 |
| Revaluation Gain/(Loss) | | — | 10,600,000 | — | — | 10,600,000 |
| Foreign currency translation differences of foreign operations | 19.3 | — | — | — | (2,100,647) | (2,100,647) |
| Income tax effect on revaluation on Land & Buildings | 22.1 | — | (3,180,000) | — | — | (3,180,000) |
| **Other comprehensive income for the year, net of tax** | | **—** | **7,420,000** | **(2,728,430)** | **(2,100,647)** | **2,590,923** |
| **Total comprehensive income/(loss) for the year, net of tax** | | **—** | **7,420,000** | **9,293,430** | **(2,100,647)** | **14,612,784** |
| **Balance as at 31 March 2026** | | **769,174,795** | **172,767,263** | **(112,682,488)** | **(1,986,800)** | **827,272,770** |

The accounting policies and notes on pages 119 to 187 form an integral part of these financial statements. Figures in brackets indicate deductions.

The Company statement of changes in equity continues on the following page.

## STATEMENT OF CHANGES IN EQUITY · CONTINUED

Year ended 31 March 2026

**Company**

| | Note | Stated Capital Rs. | Revaluation Reserve Rs. | Retained Earnings Rs. | Total Rs. |
|---|---|---|---|---|---|
| **Balance as at 31 March 2024** | | **769,174,795** | **137,979,423** | **290,246,780** | **1,197,400,999** |
| Profit for the year | | — | — | 24,348,074 | 24,348,074 |
| **Other comprehensive income** | | | | | |
| Actuarial gain/(loss) on defined benefit plans | 21. | — | — | (329,192) | (329,192) |
| Revaluation gain/(loss) | | — | 18,880,000 | — | 18,880,000 |
| Income tax effect on revaluation on land | 22.1 | — | (5,613,990) | — | (5,613,990) |
| Income tax effect on defined benefit plan | 22.1 | — | — | 98,758 | 98,758 |
| **Total other comprehensive income/(loss), net of tax** | | **—** | **13,266,010** | **(230,434)** | **13,035,576** |
| **Total comprehensive income/(loss) for the year, net of tax** | | **—** | **13,266,010** | **24,117,640** | **37,383,650** |
| **Balance as at 31 March 2025** | | **769,174,795** | **151,245,433** | **314,364,420** | **1,234,784,649** |
| Profit for the year | | — | — | 75,473,406 | 75,473,406 |
| **Other comprehensive income** | | | | | |
| Actuarial gain/(loss) on defined benefit plans | 21. | — | — | (1,672,001) | (1,672,001) |
| Revaluation gain/(loss) | | — | 7,800,000 | — | 7,800,000 |
| Income tax effect on revaluation on land | 22.1 | — | (2,340,000) | — | (2,340,000) |
| Income tax effect on defined benefit plan | 22.1 | — | — | 501,600 | 501,600 |
| **Other comprehensive income for the year, net of tax** | | **—** | **5,460,000** | **(1,170,401)** | **4,289,599** |
| **Total comprehensive income/(loss) for the year, net of tax** | | **—** | **5,460,000** | **74,303,005** | **79,763,005** |
| **Balance as at 31 March 2026** | | **769,174,795** | **156,705,433** | **388,667,425** | **1,314,547,654** |

The accounting policies and notes on pages 119 to 187 form an integral part of these financial statements. Figures in brackets indicate deductions.

# STATEMENT OF CASH FLOWS

Year ended 31 March 2026

| | Note | Group | | Company | |
|---|---|---|---|---|---|
| | | 2026 Rs. | 2025 Rs. | 2026 Rs. | 2025 Rs. |
| **Cash flows from/ (used in) operating activities** | | | | | |
| Profit/(loss) before tax | | 27,111,862 | (117,019,024) | 89,849,962 | 48,505,287 |
| **Adjustments for,** | | | | | |
| Interest expenses | 27. | 30,732,701 | 30,662,981 | 23,248,259 | 39,282,910 |
| Interest income | 28. | (17,400,145) | (31,123,137) | (16,712,346) | (28,731,169) |
| Gain on disposal of property, plant and equipment | 26. | (10,216,102) | (18,432,450) | (131,356) | (5,699,401) |
| Depreciation of property, plant and equipment | 6. | 34,769,442 | 27,689,422 | 13,783,878 | 16,358,243 |
| Fair value (gain)/loss on investment property | 7. | (17,219,000) | (19,941,084) | (11,498,000) | (17,979,135) |
| Amortisation of right-of-use assets | 8. | 22,773,167 | 11,069,750 | 21,306,000 | 8,857,748 |
| Foreign currency exchange gain | 28. | (35,877,077) | (29,420,208) | — | (807) |
| Amortization for intangible assets | 9. | 1,794,678 | 1,821,465 | 204,678 | 231,465 |
| Allowance for expected credit loss | 14.1 | (1,117,724) | 1,142,746 | — | — |
| Write off of trade and other receivables | | — | 210,000 | — | — |
| Gain from Sale & Lease Back | | (52,750,000) | — | (52,750,000) | — |
| Provision for slow moving inventory | 13.2 | (295,308) | (5,224,450) | — | — |
| Provision for retirement benefit obligations | 21. | 8,719,668 | 7,149,830 | 2,641,188 | 2,233,195 |
| **Operating profit/(loss) before working capital changes** | | **(8,973,837)** | **(141,414,159)** | **69,942,262** | **63,058,336** |
| (Increase) / decrease in inventory | | (35,741,151) | 13,268,382 | — | — |
| (Increase) / decrease trade and other receivables | | (13,790,896) | (779,847) | 2,836,187 | 3,207,905 |
| (Increase) / decrease in deposits and prepayment | | 6,624,256 | 6,974,338 | 457,835 | 2,900,795 |
| Increase / (decrease) in trade creditors | | (37,670,878) | 51,867,934 | (1,438,985) | 4,937,412 |
| Increase / (decrease) in accrued expenses | | 35,913,984 | (37,765,991) | 692,159 | (24,913,806) |
| Increase / (decrease) in amount due to related parties | | 21,777,314 | 22,385,750 | (88,556,384) | (130,260,330) |
| (Increase) / decrease in amount due from related parties | | (890,860) | 4,608,680 | (59,374,323) | (1,108,969) |
| **Cash generated from/(used in) operations** | | **(32,752,070)** | **(80,854,913)** | **(75,441,249)** | **(82,178,657)** |
| Interest paid | | (30,753,315) | (30,382,235) | (20,195,698) | (21,680,536) |
| Income tax paid | | (14,799,683) | (10,508,706) | (14,799,683) | (10,073,142) |
| Retirement benefit obligation | 21. | (1,820,778) | (3,072,925) | — | — |
| **Net cash flow from/(used in) operating activities** | | **(80,125,845)** | **(124,818,779)** | **(110,436,631)** | **(113,932,335)** |

# STATEMENT OF CASH FLOWS · CONTINUED

Year ended 31 March 2026

| | Note | Group | | Company | |
|---|---|---|---|---|---|
| | | 2026 Rs. | 2025 Rs. | 2026 Rs. | 2025 Rs. |
| **Cash flows from/(used in) investing activities** | | | | | |
| Acquisition of property, plant and equipment | 6.6.1 | (32,174,812) | (61,187,070) | (568,239) | (6,943,437) |
| Sale proceeds on disposal of property, plant and equipment | | 10,216,102 | 19,194,914 | 131,356 | 6,461,864 |
| Interest income | | 18,594,941 | 32,213,935 | 17,907,142 | 29,820,500 |
| Investment in subsidiaries | | — | — | (30,000,005) | (22,000,000) |
| Withdrawal / (Investment) of short-term deposits | | 99,200,005 | 132,909,881 | 99,200,005 | 132,909,881 |
| **Net cash flows from/(used in) investing activities** | | **95,836,236** | **123,131,660** | **86,670,258** | **140,248,809** |
| **Cash flows from/(used in) financing activities** | | | | | |
| Proceeds from interest bearing loans and borrowings | 20.1 | 52,750,000 | 217,569,215 | 52,750,000 | 160,000,000 |
| Repayment of interest bearing loans and borrowings | 20.1 | (59,253,685) | (262,988,236) | (9,311,815) | (186,931,631) |
| Repayment of finance lease | 20.2 | (20,741,679) | (13,755,324) | (19,113,562) | (5,328,600) |
| **Net cash from / (used in) from financing activities** | | **(27,245,364)** | **(59,174,344)** | **24,324,622** | **(32,260,231)** |
| Effects of exchange rate changes on cash and cash equivalents | | 33,776,430 | 29,307,901 | — | — |
| **Net increase/(decreased) in cash and cash equivalents** | | **22,241,457** | **(31,553,563)** | **558,250** | **(5,943,757)** |
| Cash and cash equivalents at the beginning of the year | 18. | 24,137,779 | 55,691,342 | 1,917,382 | 7,861,139 |
| **Cash and cash equivalents at the end of the year** | **18.** | **46,379,236** | **24,137,779** | **2,475,632** | **1,917,382** |

Cash and cash equivalents in the statement of financial position comprise cash at banks and in hand. For the purpose of the statement of cash flows, cash and cash equivalents consist of cash as defined above, net of outstanding bank overdrafts.

The accounting policies and notes on pages 119 to 187 form an integral part of these financial statements. Figures in brackets indicate deductions.

# NOTES TO THE FINANCIAL STATEMENTS

## 1. CORPORATE INFORMATION

**1.1 Reporting entity.** The consolidated financial statements of the Kapruka Holdings PLC (formerly known as Kapruka Holdings Limited) and its subsidiaries (collectively, the Group) for the year ended 31 March 2026 were authorised for issue in accordance with a resolution of the directors on 31st August 2026. Kapruka Holdings PLC (the Company or the parent) is a public limited company incorporated and domiciled in Sri Lanka and whose shares are listed on Colombo Stock Exchange and publicly traded.

The registered office of the Company is located No. 147, Old Kottawa Road, Mirihana, Nugegoda and the principal place of business is located at the above address.

**1.2 Principal activities and nature of operations.** Kapruka Holdings PLC, the Group's holdings Company, manages a portfolio of holdings consisting of a range of diverse business operations, which together constitute the Kapruka Holdings Group. The subsidiaries are provided in Note 3.3.

**1.3 Parent and ultimate parent enterprise.** Kapruka Holdings PLC does not have an identifiable parent of its own. Kapruka Holdings PLC is the ultimate parent of the Group. The Group's ultimate controlling party is Mr. Dulith Herath.

**1.4 Authorisation for issue.** The Board of Directors is responsible for these Financial Statements. The Financial Statements were authorised for issue in accordance with a resolution of the Board of Directors on 31st August 2026.

**1.5 Comparative information.** Comparative information including quantitative, narrative and descriptive information as relevant is disclosed in respect of previous period in the Financial Statements. The presentation and classification of the Financial Statements in the previous year are amended, where relevant for better presentation and to be comparable with those of the current year. In addition, the Group presents an additional Statement of Financial Position at the beginning of the preceding period when there is a retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in Financial Statements.

**1.6 Materiality, aggregation, offsetting and rounding**

- **Materiality and Aggregation**
  Each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or function are presented separately unless they are treated immaterial as permitted by the Sri Lanka Accounting Standard - LKAS 1 on 'Presentation of Financial Statements'. Understandability of the Financial Statements is not compromised by obscuring material information with immaterial information or by aggregating material items that have different natures or functions. Notes to the Financial Statements are presented in a systematic manner that ensures the understandability and comparability of Financial Statements.
- **Offsetting**
  Assets and liabilities or income and expenses are not set off unless required or permitted by a Sri Lanka Accounting Standard.
- **Rounding**
  Financial information presented in Sri Lankan Rupees has been rounded to the nearest rupee, unless indicated otherwise.

**1.7 Number of employees.** The number of employees of the Group at the end of the year was 236, Company - 32.

## 2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently by the Group entities to all periods presented in these Consolidated Financial Statements unless otherwise stated.

**2.1 Basis of preparation.** These Financial Statements, comprising both the Company's separate Financial Statements and the Consolidated Financial Statements of the Company and its Subsidiaries ("Group") and comprise the Statements of Financial Position, Statements of Profit or Loss and Other Comprehensive Income, Statements of Changes in Equity and Statements of Cash Flows together with the Accounting Policies and Notes to the Financial Statements.

**2.1.1 Statement of compliance.** These Consolidated Financial Statements have been prepared in accordance with the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 which requires compliance with Sri Lanka Accounting Standards (SLFRS/LKAS) promulgated by the Institute of Chartered Accountants of Sri Lanka and the requirements of the Companies Act No. 7 of 2007.

**2.1.2 Basis of measurement.** The Financial Statements have been prepared on the historical cost basis, except for:

- Lands which are recognised as property plant and equipment which are measured at cost on initial recognition and subsequently carried at fair value.
- Land and buildings which are recognised as investment property which are measured at cost on initial recognition and subsequently carried at fair value.
- Retirement benefit obligations which are measured at present value.
- Consumable biological assets and agricultural produce from bearer biological assets which are measured at fair value, less costs to sell.

Where appropriate, the specific policies are explained in the succeeding notes. No adjustments have been made for inflationary factors in the Consolidated Financial Statements.

**2.1.3 Functional and presentation currency.** The Financial Statements are presented in Sri Lanka Rupees, which is the Group's functional currency. The Sri Lankan Rupee remains the common functional and presentation currency for all entities in the Group.

**2.2 Going concern.** The directors have made an assessment of the Group's ability to continue as a going concern and are satisfied that it has the resources to continue in business for the foreseeable future. The assessment took into consideration the performance of the Group and the measures adopted by the government to support the recovery of the economy. The Board is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

**2.3 Judgments.** Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognized in the Consolidated Financial Statements.

# NOTES TO THE FINANCIAL STATEMENTS

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 3.1 Current versus non-current classification

The Group presents assets and liabilities in the Statement of financial position based on current/non-current classification. An asset is current when it is: expected to be realised or intended to be sold or consumed in the normal operating cycle; held primarily for the purpose of trading; expected to be realised within twelve months after the reporting period; or cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. All other assets are classified as non-current.

A liability is current when: it is expected to be settled in the normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within twelve months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period. The Group classifies all other liabilities as non-current. Deferred tax liabilities are classified as non-current assets and liabilities.

### 3.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as for the year ended 31 March 2026. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has: power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee); exposure, or rights, to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including: the contractual arrangement(s) with the other vote holders of the investee; rights arising from other contractual arrangements; and the Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of Other Comprehensive Income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. Accounting under separate financial statements: investment in subsidiary is measured at cost less accumulated impairment in the separate financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

### 3.3 Subsidiaries

Subsidiaries are those enterprises controlled by the parent and have been listed in the Group directory. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of Other Comprehensive Income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

The financial statements of all subsidiaries in the Group are prepared for a common financial year, which is 12 months ending 31 March, using consistent accounting policies.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

Subsidiaries & their controlling percentages of the Group, which have been consolidated are as follows:

| Subsidiary | Principal Activities | Country of Operation | Effective Holdings 2026 | Effective Holdings 2025 |
|---|---|---|---|---|
| Kapruka E-commerce (Private) Limited | Online retailing | Sri Lanka | 100% | 100% |
| Kapruka Production (Private) Limited | Manufacturing Cake & Flower | Sri Lanka | 100% | 100% |
| Kapruka Techroot (Private) Limited | Providing web services | Sri Lanka | 100% | 100% |
| Kapruka USA LLC | Providing Global Payment Gateway integration facility & operate the Cross border operation | USA | 100% | 100% |
| Kapruka Ventures (Pvt) Ltd | Trading and distribution of global products | Sri Lanka | 100% | 100% |
| Kapruka Global UK Ltd | Operate the Cross border operation in UK | UK | 100% | 100% |

### 3.4 Associates

Associates are those enterprises which company having significant influence. The Group applies the equity method in accounting for the investment in associate. The equity method is a method of accounting whereby the investment is initially recognized at cost and adjusted thereafter to the post acquisition change in the investor's share of the investee's net asset. The investor's profit or loss includes its share of the investee's profit or loss and the investor's other comprehensive income includes its share of the investee's other comprehensive income.

Investment in Associates are as follows:

| Associate | Principle activities | Country of Incorporation | Effective Holdings 2026 | Effective Holdings 2025 |
|---|---|---|---|---|
| Kapruka Global Shop (Private) Limited | Import and selling order through online | Sri Lanka | 25% | 25% |

### 3.5 Non-controlling interests (NCI)

NCI are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date. Subsequently, profit or loss and each component of other comprehensive Income are attributed to equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

**3.5.1 Loss of control.** When the Group losses control over subsidiary derecognizes the assets and liabilities of the Subsidiary, any non-controlling interests and other components of equity. Any surplus or deficit arising on the loss of control is recognized in the profit or loss. Any interest retains in the previous Subsidiary, is measured at fair value as at the date that control is lost.

**3.5.2 Intra-group transactions.** Pricing policies of all intra-group sales are identical to those adopted for normal trading transactions, which are at market prices.

**3.5.3 Transactions eliminated on consolidation.** Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions are eliminated in preparing the Consolidated Financial Statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

# NOTES TO THE FINANCIAL STATEMENTS

## 3.6 Foreign currency

**3.6.1 Foreign Currency Translation, Foreign Currency Transactions and Balances.** Transactions in foreign currencies are initially recorded by the Group entities at the functional currency rates prevailing at the date of the transaction. All foreign exchange transactions are converted to functional currency, at the rates of exchange prevailing at the time the transactions are effected. Monetary assets and liabilities denominated in foreign currency are translated to functional currency equivalents at the spot exchange rate prevailing at the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. The gain or loss arising on translation of non-monetary items is treated in line with the recognition of gain or loss on changing fair value of the item.

**3.6.2 Foreign operations.** The statement of financial position and income statement of overseas subsidiaries which are deemed to be foreign operations are translated to Sri Lanka rupees at the rate of exchange prevailing as at the reporting date and at the average annual rate of exchange for the period, respectively. The exchange rates applicable during the period were as follows:

| | Closing rate | | Average rate | |
|---|---|---|---|---|
| | 2026<br>Rs. | 2025<br>Rs. | 2026<br>Rs. | 2025<br>Rs. |
| US Dollar | 315.19 | 296.34 | 302.74 | 295.90 |
| GBP | 416.36 | 383.78 | 407.98 | 380.25 |

The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign entity, the deferred cumulative amount recognised in other comprehensive income relating to that particular foreign operation is recognised in the Income Statement. The Group treated goodwill and fair-value adjustments arising on acquisition of a foreign operation should be treated as assets and liabilities of the foreign operation and translated at the closing rate. Therefore, those assets and liabilities are non-monetary items already expressed in the functional currency of the parent and no further translation differences occur.

# NOTES TO THE FINANCIAL STATEMENTS

### 3.7 Fair value measurement

The Group measures non-financial assets such as Biological assets, owner occupied land and investment properties, at fair value at each reporting date. Fair value related disclosures for non-financial assets that are measured at fair value or where fair values are disclosed are summarized in Note 36.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- **Level 1** — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- **Level 2** — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- **Level 3** — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Management determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

### 3.8 Property, plant and equipment

**3.8.1 Initial recognition and measurement.** Items of property, plant & equipment are measured at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes expenditure that is directly attributable to the acquisition of the asset and includes the cost of replacing part of the property, plant & equipment and borrowing costs for long-term construction projects if the recognition criteria are met. The cost of self-constructed assets includes the cost of materials and direct labour; any other costs directly attributable to bringing the assets to a working condition for their intended use; when the Group has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located; and capitalised borrowing costs. When significant parts of property, plant & equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

**3.8.2 Subsequent costs.** Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. Ongoing repairs and maintenance is expensed as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

**3.8.3 Depreciation.** Items of property, plant & equipment are depreciated on a straight-line basis over the estimated useful lives of the each component. Items of property, plant & equipment are depreciated from the month that they are installed and are ready for use, or in respect of internally constructed assets, from the month that the asset is completed and ready for use.

The estimated useful lives for the current and comparative years of significant items of property, plant & equipment are as follows:

- Buildings — 50 Years
- Motor vehicles — 4 Years
- Computers — 4 Years
- Furniture and fittings — 5 Years
- Office equipment — 4 Years
- Machinery & equipment — 4 Years
- Agri-Net House — 4 Years

The asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at end of each reporting period. An estimation change in the useful life of fixed asset during the period has occurred and the underlying assumptions considered are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised prospectively.

# NOTES TO THE FINANCIAL STATEMENTS

### 3.8.4 Revaluation

The lands in Kapruka group are measured at fair value less impairment losses recognized after the date of revaluation. Valuations are performed with sufficient frequency every annually to ensure that the carrying amount of a revalued asset does not differ materially from its fair value. A revaluation surplus is recorded in Other Comprehensive Income (OCI) and credited to the asset revaluation surplus in equity. However, if it reverses a revaluation deficit of the same asset previously recognized in profit or loss, the increase is recognized in profit and loss. A revaluation deficit is recognized in the statement of profit or loss, except to the extent that it offsets an existing surplus on the same asset recognized in the asset revaluation surplus. Upon disposal, any revaluation surplus relating to the particular asset being sold is transferred to retained earnings.

### 3.8.4.1 Revaluation of land

Fair value of the Land are ascertained by independent valuations carried out by Chartered valuation surveyors, who have recent experience in valuing properties of similar location and category. Land Buildings are appraised in accordance with LKAS 16, SLFRS 13 and the Valuation Standards published by the Institute of Valuers of Sri Lanka and by the RICS, UK. In determining the fair value, the current condition of the properties, future usability and associated redevelopment requirements have been considered. Further valuers have made reference to market evidence of transaction prices for similar properties, with appropriate adjustments for size and location. The appraised fair values are rounded within the range of values. A sensitivity analysis on these assumptions is Included in Note 6.3.

### 3.8.5 Assets in the course of construction

Capital expenditure incurred in relation to fixed assets which are not completed as at the reporting date are shown as capital work-in-progress and is stated at cost. On completion, the related assets are transferred to property, plant and equipment. Depreciation on capital work-in-progress commences when the assets are ready for their intended use.

### 3.8.6 Derecognition

An item of Property, Plant and Equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognising of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss statement in the year the asset is derecognised.

# NOTES TO THE FINANCIAL STATEMENTS

### 3.9 Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

### 3.9.1 Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short- term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

### 3.9.2 Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right- of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right of use assets are depreciated on a straight-line basis over the shorter of its estimated useful life or the lease term. Right-of-use assets are depreciated on a straight- line basis over the shorter of the lease term and the estimated useful lives of the assets. If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

# NOTES TO THE FINANCIAL STATEMENTS

### 3.9.3 Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset. The Group's lease liabilities are included in Interest- bearing loans and borrowings.

### 3.9.4 Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low- value assets are recognised as expense on a straight-line basis over the lease term.

# NOTES TO THE FINANCIAL STATEMENTS

### 3.9.5 Sale and leaseback transactions

The Group applies the requirements of SLFRS 15 Revenue from Contracts with Customers to assess whether the transfer of an asset in a sale and leaseback transaction constitutes a sale. Where the transfer qualifies as a sale, the Group, as a seller-lessee, measures the right-of-use asset arising from the leaseback at the proportion of the previous carrying amount of the asset that relates to the right of use retained by the Group. Accordingly, the Group recognises only the amount of gain or loss that relates to the rights transferred to the buyer-lessor.

The lease liability arising from the leaseback is initially measured at the present value of the lease payments. Subsequent measurement of the lease liability is performed in a manner that ensures that no gain or loss relating to the right of use retained by the Group is recognised after the commencement date.

Where the transfer does not satisfy the requirements of SLFRS 15 to be accounted for as a sale, the Group continues to recognise the transferred asset and recognises the proceeds received as a financial liability in accordance with SLFRS 9 Financial Instruments.

### 3.10 Investment property

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, the investment properties are stated at fair values, which reflect market conditions at the reporting date. Gains or losses arising from changes in fair values of investment properties are included in the Statement of Profit or Loss in the year in which they arise, including the corresponding tax effect. Fair values are evaluated annually by an accredited external, independent valuer. Investment properties are derecognized either when they have been disposed of, or when they are permanently withdrawn from use and no future economic benefits are expected from their disposal. The difference between the net disposal proceeds and the carrying amounts of the asset is recognised in Statement of Profit or Loss in the period of derecognition. Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner occupied property the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

### 3.11 Intangible assets

### 3.11.1 Basis of recognition

An Intangible asset is recognised if it is probable that the future economic benefits associated with the assets will flow to the Group and cost of the assets can be reliably measured.

### 3.11.2 Measurement and subsequent costs

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Expenditure on internally generated intangible assets, excluding capitalised development costs, is recognised in profit or loss in the year in which the expenditure is incurred.

# NOTES TO THE FINANCIAL STATEMENTS

### 3.11.3 Research and development costs

Research costs are expensed as incurred. Development expenditures on base product developments are recognized as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How will the asset generate future economic benefits?
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development
- The ability to use the intangible asset generated

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete, and the asset is available for use. It is amortized over the period of expected future benefit. Amortization is recorded in other operating expenses during the period of development, the asset is tested for impairment annually.

### 3.11.4 Amortisation

The useful lives of intangible assets are assessed to be either finite or indefinite. The estimated useful lives of intangible assets with finite lives are as follows. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the profit or loss statement in the expense category consistent with the function of the intangible asset.

### 3.11.5 Derecognition

Intangible assets are de-recognised on disposal or when no future economic benefits are expected from its use. Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

# NOTES TO THE FINANCIAL STATEMENTS

### 3.12 Biological assets

The entity recognises the biological assets when, and only when, the entity controls the assets as a result of past event, it is probable that future economic benefits associated with the assets will flow to the entity and the fair value or cost of the assets can be measured reliably.

### 3.13 Inventories

Inventories are measured at the lower of cost or net realisable value. The cost of finished goods is computed, based on the weighted average cost method and includes material, labour and appropriate share of production overheads, based on normal operating capacity. In the case of purchased inventories, cost includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their existing location and condition. The cost of raw material is computed at weighted average cost. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

### 3.13.1 Provision for impairment of inventory

A provision for slow moving inventories is recognised based on the best estimates available to management on their future recovery. As Management uses present conditions and historical information as the basis to determine the future recoverability, actual future losses on inventories could vary from the allowance made in these financial statements. The company's accounting policy on inventory impairment provision is meticulous and strategic. Impairment provisions are recognized based on aging dates, particularly focusing on inventory items aged by 182 days.

### 3.14 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and financial liability or equity instrument of another entity.

# NOTES TO THE FINANCIAL STATEMENTS

### 3.14.1 Financial assets

**a) Initial recognition and measurement**

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under SLFRS 15. In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

**b) Subsequent Measurement**

For purposes of subsequent measurement, financial assets are classified in four categories;

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon de-recognition (equity instruments)
- Financial assets at fair value through profit or loss financial assets at amortised cost (debt instruments)

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding
- Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes trade receivables and amounts due from related parties. Financial assets at fair value through OCI (debt instruments) The Company measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss. Financial assets designated at fair value through OCI (equity instruments) Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under LKAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by- instrument basis. Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment. Financial assets at fair value through profit or loss Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

**c) Derecognition**

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired or;
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either
  - (a) the Group has transferred substantially all the risks and rewards of the asset, or
  - (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass- through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

**d) Impairment of financial assets**

Further disclosure relating to impairment of financials assets are also provided in the following notes:

- Financial assets Note 12
- Trade receivables, including contract assets Note 14

The company's accounting policy on trade debtor impairment provision is meticulous and strategic. Impairment provisions are recognized based on aging dates, particularly focusing on debts overdue by 121 days. A general provision method is used to account for impairments on trade receivables, considering customer types and aging profiles. Any discrepancies between over and under impairments are appropriately reflected in the profit and loss account. This policy aims to accurately represent the company's financial status while complying with accounting standards.

**(A) Non- Derivative Financial Assets**

Financial instruments and contract assets

The Group recognises a loss allowance for ECLs on:

- Financial assets measured at amortized cost;
- Debt investments measured at FVOCI; and
- Contract assets.

# NOTES TO THE FINANCIAL STATEMENTS

## 3. SIGNIFICANT ACCOUNTING POLICIES · CONTINUED

### 3.14.1 Financial assets · continued

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following which are measured at 12 months ECLs:

- Debt securities that are determined to have no credit risk at the reporting date; and
- Other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since the initial recognition.

Loss allowance for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs. When determining whether a credit risk of financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost of effort. This includes both quantitative and qualitative information and analysis, based on Group's historical experience and informed credit assessment and including forward – looking information. The Group assumes that a credit risk on a financial asset has increased significantly if it is more than 121 days past due. The Group considers financial asset to be in default when:

- The borrower unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security " if any is held"; or
- The financial asset is more than 365 days past due.

The Group considers a debt security to have no credit risk when its credit risk rating is equivalent to the globally understood definition of "investment grade". The Group considers this is to be A- or higher. Lifetime ECLs are the ECLs that result from all possible events over the expected life of a financial instrument. 12 months ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

**Measurement of ECLs**
ECLs are a probability- weighted estimate of credit loss. Credit losses are measured as the present value of all cash short falls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rates of the financial asset.

**(B) Credit-Impaired Financial Assets**
At each reporting date, the Group assess whether the financial assets carried at amortized cost and debt securities at FVOCI are credit- impaired. A financial asset is "credit impaired" when one or more events that have detrimental impact on the estimated future cash flows of the financial assets have occurred. Evidence that a financial asset is credit impaired includes the following observable data;

- Significant financial difficulty of the borrower or the issuer
- A breach of contract such as default or being more than 365 days being past due;
- The restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- It is probable that the borrower enter bankruptcy or other financial reorganization or
- The disappearance of the active market for a security because of financial difficulty

**Presentation of allowance for ECL in the Statement of Financial Position**
Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the asset. For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognised in OCI.

**Write-Off**
The gross carrying amount of a financial asset is written off when the Group has no reasonable expectation of recovery of financial asset in its entirety or a portion thereof. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write- off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group procedures for recovery of amounts due.

# NOTES TO THE FINANCIAL STATEMENTS

### 3.14.2 Financial liabilities

**a) Initial recognition and measurement**
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include trade and other payables, loans and borrowings and amounts due to related parties.

**b) Subsequent Measurement**
The measurement of financial liabilities depends on their classification as described below:

**Financial liabilities at fair value through profit or loss**
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by SLFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the Statement of Profit or Loss. Financial liabilities designated upon initial recognition at fair value through profit or loss so designated at the initial date of recognition, and only if criteria of SLFRS 9 are satisfied. The group has not designated any financial liability at fair value through profit or loss.

**Loans and borrowings**
After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the Statement of Profit or Loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the Statement of Profit or Loss.

**c) Derecognition**
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

### 3.14.3 Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include:

- Using recent arm's length market transactions.
- Reference to the current fair value of another instrument that is substantially the same.
- A discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 36.

### 3.15 Cash and cash equivalents

Cash and cash equivalents are cash in hand, demand deposits and short-term highly liquid investments, readily convertible to known amounts of cash and subject to insignificant risk of changes in value. For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand and deposits in banks net of outstanding bank overdrafts.

### 3.16 Impairment of non-financial assets

The Group assesses at each reporting date whether there is any objective evidence that a non-financial asset or a group of non-financial assets is impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the group of non-financial asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell or its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of non-financial assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. The amount of impairment losses are recognised in the profit and loss during the reporting period.

### 3.17 Liabilities and provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Liabilities classified as current liabilities in the Statement of Financial Position are those obligations payable on demand or within one year from the reporting date.

# NOTES TO THE FINANCIAL STATEMENTS

### 3.18 Retirement benefit obligations

#### 3.18.1 Defined contribution plans– employees’ provident fund & employees’ trust fund

Employees are eligible for Employees’ Provident Fund Contributions and Employees’ Trust Fund Contributions in line with the respective statutes and regulations in Sri Lanka. The Company contributes 12 % and 3% of gross emoluments of employees to Employees’ Provident Fund and Employees’ Trust Fund respectively.

#### 3.18.2 Defined benefit plan – gratuity

A defined benefit plan is a post - employment benefit plan other than a defined contribution plan. The defined benefit is calculated by independent actuaries. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related liability. The present value of the defined benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Key assumptions used in determining the defined retirement benefit obligations are given in Note 21. Any changes in these assumptions will impact the carrying amount of defined benefit obligations. The gratuity liability is not funded in the planned assets.

### 3.19 Taxation

#### 3.19.1 Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income. Current income taxes relating to items recognised directly in Other Comprehensive Income are also recognised in Other Comprehensive Income and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

# NOTES TO THE FINANCIAL STATEMENTS

### 3.19.2 Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Current tax and deferred tax relating to items recognised directly in statement of other comprehensive income are also recognised in statement of other comprehensive income and not in the statement of profit or loss. Deferred tax assets and liabilities are set off if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

# NOTES TO THE FINANCIAL STATEMENTS

## 3.20 Revenue

### 3.20.1 Revenue from contracts with customers

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue and associated costs incurred or to be incurred can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and sales taxes. The following specific recognition criteria are used for the purpose of recognition of revenue:

**a) Goods transferred at a point in time**

Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer. In relation to sales with local customers, this point is generally the delivery of goods, exports also take in to account the term related to each shipment of goods. The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated.

**b) Services transferred over time**

The Group determines, at contract inception, whether it satisfies the performance obligation over time or at a point in time. For each performance obligation satisfied over time, the Group recognises revenue over time, by using an output method to measure progress towards complete satisfaction of that performance obligation. In determining the transaction price for the sale of goods and the services the Group considers the effects of variable consideration the existence of significant financing, non-cash considerations and consideration payable to customer (if any). However,

- The Group does not offer discounts, warranties or incentives to its customers.
- The Group does not receive long-term advances from its customers for the services which entails a financing element.
- The period between the transfer of the promised service to the customer and when the customer pays for that good will be one year or less

**c) Presentation and disclosure**

As required for the financial statements, the Group disaggregated revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The Group also disclosed information about the relationship between the disclosure of disaggregated revenue and revenue information disclosed for each reportable segment. Refer to Note 25 for the disclosure on disaggregated revenue.

### 3.20.2 Interest income

Interest income is recognised in profit or loss as it accrues and is calculated by using the effective interest rate method.

# NOTES TO THE FINANCIAL STATEMENTS

### 3.20.3 Dividend income

Dividend income is recognised when the shareholder’s right to receive payment is established.

### 3.20.4 Rental income

Rental income arising from renting out of leased premises are recognised as revenue on a straight-line basis over the term of the lease or agreement.

### 3.20.5 Other income

Other income is recognised on an accrual basis. Net gains and losses of a revenue nature on the disposal of Property, Plant & Equipment and other non-current assets including investments are accounted for in the Statements of Profit or Loss, after deducting from proceeds on disposal, the carrying amount of the assets and related selling expenses. Gains and losses arising from activities incidental to the main revenue generating activities and those arising from a group of similar transactions which are not material, are aggregated, reported and presented on a net basis.

### 3.20.6 Finance income and finance costs

Finance income comprises interest income on funds invested and gain arisen from the foreign exchange translation of financial assets and liabilities. Interest income is recognised based on the EIR in the statement of profit or loss. Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, and losses on hedging instruments that are recognised in the statement of profit or loss. The interest expense component of finance lease payments is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

### 3.20.7 Borrowing cost

Borrowing costs that are directly attributable to the acquisition, construction, or production of an asset that takes a substantial period of time to get ready for its intended use or sale, are capitalised as part of that asset. The amounts of the borrowing costs which are eligible for capitalisation are determined in accordance with the in LKAS 23 - Borrowing Costs. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

# NOTES TO THE FINANCIAL STATEMENTS

### 3.21 Expenditure recognition

Expenses are recognised in the statement of profit or loss on the basis of a direct association between the cost incurred and the earnings of specific items of income. All expenditure incurred in the running of the business has been charged to income in arriving at the profit for the year. Repairs and renewals are charged to statements of profit or loss in the year in which the expenditure is incurred.

### 3.22 Earnings per share

The Group presents basic and diluted Earnings Per Share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit attributable to ordinary shareholders of the Company by the weighted-average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

### 3.23 Cash flow statement

The Cash Flow Statement has been prepared using the indirect method.

### 3.24 Segment reporting

The Group has the following four strategic divisions, which are its reportable segments. These divisions offer different products and services, and are managed separately because they require different technology and marketing strategies A summary describing the operations of each reportable segment is given in pages 59 and 60. Segment results that are reported to the Chief Operating Officer (the chief Operating decision maker) include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated expenses comprise mainly corporate assets (primarily the Company’s head office), head office expenses and tax assets and liabilities.

# NOTES TO THE FINANCIAL STATEMENTS

## 4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Financial Statements in conformity with SLFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. The Estimates and underlying assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results which form the basis of making the judgments about the carrying amount of assets and liabilities that are not readily apparent from other sources. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

### Taxation

Uncertainties exist with respect to the interpretation of complex tax regulation, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and the complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establish provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective domicile of the Group companies. Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based on upon the likely timing and the level of future taxable profits together as with future tax planning strategies.

# NOTES TO THE FINANCIAL STATEMENTS

### Employee benefit liability – Gratuity

The cost of the defined benefit pension plan and other post-employment medical benefits and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. The parameter most subject to change is the discount rate. In determining the appropriate discount rate, management considers the interest rates of long term Government Bonds (Treasury Bonds) corresponding to the average work life of the employees. The mortality rate is based on publicly available mortality tables for the specific countries. Those mortality tables tend to change only at intervals in response to demographic changes. Future salary increases and pension increases are based on expected future inflation rates for the respective countries. Further details about pension obligations are provided in note 21.

### Materiality and aggregation

Each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or function are presented separately unless they are immaterial as permitted by the Sri Lanka Accounting Standard – LKAS 1 on ‘Presentation of Financial Statements. Notes to the financial statements are presented in a systematic manner which ensures the understandability and comparability of financial statements of the Group and the Company. Understandability of the financial statements is not compromised by obscuring material information with immaterial information or by aggregating material items that have different natures or functions.

### Others

Other information about judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are included in the following notes to these financial statements.

| Accounting estimate / judgments | Notes |
|---|---|
| Going Concern | 2.2 |
| Property, plant and equipment | 3.8 |
| Valuation of inventories | 3.13 |
| Provision for impairment of inventory | 3.13.1 |

# NOTES TO THE FINANCIAL STATEMENTS

## 5. STANDARDS ISSUED BUT NOT YET EFFECTIVE

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the financial statements are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

### SLFRS 17 Insurance Contracts

SLFRS 17 Insurance Contracts SLFRS 17 is a comprehensive new accounting standard for insurance contracts, Covering recognition, measurement, presentation, and disclosure. It replaces SLFRS 4 and applies to all types of Insurance contracts, including life, non-life, direct insurance, reinsurance as well as certain guarantees and Financial instruments with discretionary participation features: The standard is built around the General Measurement Model, supported by two supplementary approaches:

- Variable Fee Approach (VFA): for contracts with direct participation features
- Premium Allocation Approach (PAA): a simplified model mainly for short duration contracts

SLFRS 17 is effective for annual reporting periods beginning on or after 1 January 2026, with comparative figures required. Early adoption is allowed if the entity also applies SLFRS 9 Financial Instruments and SLFRS 15 Revenue from Contracts with Customers by the date SLFRS 17 is first applied. SLFRS 17 does not have a material impact on the Financial Statements.

### SLFRS 18 Presentation and Disclosure in Financial Statements

SLFRS 18, which replaces LKAS 1, introduces significant enhancements to the way financial information is organized and communicated. The standard establishes new categories and sub totals in the statement of profit or loss to improve consistency and comparability across entities. It also requires entities to disclose management-defined performance measures (as specified in the standard), together with clear explanations and reconciliations. In addition, SLFRS 18 introduces strengthened requirements regarding the location, aggregation, and disaggregation of financial information. These changes are designed to ensure that Financial Statements present information more transparently and in a way that enhances users' understanding of an entity's financial performance and position. SLFRS 18, and consequential amendments to the other accounting standards, are effective for annual reporting periods beginning on or after 1 January 2027. Early application is permitted. The potential impact of SLFRS 18 on the Financial Statements and the related notes is currently being identified and evaluated.

# NOTES TO THE FINANCIAL STATEMENTS

### SLFRS 19 Subsidiaries without Public Accountability: Disclosures

SLFRS 19 introduces reduced disclosure requirements for subsidiaries that do not have public accountability but continue to apply the full SLFRS recognition and measurement principles. The purpose of SLFRS 19 is to lessen the financial reporting burden on qualifying subsidiaries by simplifying disclosure requirements, while still ensuring that financial statements remain high-quality, consistent, and comparable. SLFRS 19 applies to Specified Business Enterprises as defined in the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995. The Standard becomes effective for annual reporting periods beginning on or after 1 January 2027. Early application is permitted. The entity is not eligible to apply SLFRS 19.

### Classification and Measurement of Financial Instruments – Amendments to SLFRS 9 and SLFRS 7

The amendments introduce enhancements to the classification, measurement, derecognition, and disclosure requirements for financial instruments. Their objective is to strengthen transparency, promote greater consistency in financial reporting, and respond to emerging market developments, particularly features such as sustainability-linked terms and nature-dependent electricity contracts. These amendments are effective for annual reporting periods beginning on or after 1 January 2026. Early application is permitted. The amendments are not expected to have a material impact on the financial statements.

### Annual Improvements to Sri Lanka Accounting Standards

Narrow scope amendments as part of the periodic maintenance of Sri Lanka Accounting Standards will be adopted, if applicable, when they become effective.

# NOTES TO THE FINANCIAL STATEMENTS

## 6. PROPERTY, PLANT AND EQUIPMENT

### 6.1 Group

#### 6.1.1 Gross carrying amounts

| At cost/valuation | Balance as at 01.04.2025 Rs. | Revaluation Surplus/(Deficits) Rs. | Additions Rs. | Reclassification Rs. | Transferred from capital work-in-progress Rs. | Disposal Rs. | Balance as at 31.03.2026 Rs. |
|---|---|---|---|---|---|---|---|
| Land | 239,300,000 | 10,600,000 | — | — | — | — | 249,900,000 |
| Buildings | 489,682,057 | — | — | — | — | — | 489,682,057 |
| Motor Vehicle | 85,616,637 | — | 25,423,728 | 3,450,000 | — | (38,620,490) | 75,869,875 |
| Computers | 24,372,708 | — | 2,634,886 | — | — | — | 27,007,594 |
| Furniture & Fittings | 26,945,661 | — | 225,895 | — | — | — | 27,171,556 |
| Office Equipment | 59,990,117 | — | 3,799,202 | — | — | (324,632) | 63,464,686 |
| Machinery & Equipment | 14,888,316 | — | 91,100 | — | — | — | 14,979,416 |
| Agri Net House | 1,768,050 | — | — | — | — | — | 1,768,050 |
| **Total** | **942,563,546** | **10,600,000** | **32,174,812** | **3,450,000** | **—** | **(38,945,123)** | **949,843,235** |
| **Total gross carrying amount** | **942,563,546** | **10,600,000** | **32,174,812** | **3,450,000** | **—** | **(38,945,123)** | **949,843,235** |

# NOTES TO THE FINANCIAL STATEMENTS

## 6. PROPERTY, PLANT AND EQUIPMENT (CONTD...)

### 6.1.2 Depreciation

| At cost | Balance as at 01.04.2025 Rs. | Revaluation Surplus/(Deficits) Rs. | Charge for the Year Rs. | Reclassification Rs. | Transfers In/(Out) Rs. | Disposal Rs. | Balance as at 31.03.2026 Rs. |
|---|---|---|---|---|---|---|---|
| Buildings | 17,587,564 | — | 9,796,529 | — | — | — | 27,384,092 |
| Motor Vehicle | 85,491,676 | — | 4,152,634 | 3,450,000 | — | (38,620,490) | 54,473,820 |
| Computers | 17,145,168 | — | 3,175,126 | — | — | — | 20,320,293 |
| Furniture & Fittings | 17,738,951 | — | 3,893,876 | — | — | — | 21,632,827 |
| Office Equipment | 33,794,618 | — | 11,116,813 | — | — | (324,632) | 44,586,799 |
| Machinery & Equipment | 7,018,083 | — | 2,487,126 | — | — | — | 9,505,209 |
| Agri Net House | 1,473,116 | — | 147,338 | — | — | — | 1,620,453 |
| **Total** | **180,249,174** | **—** | **34,769,442** | **3,450,000** | **—** | **(38,945,123)** | **179,523,494** |
| **Total depreciation** | **180,249,174** | **—** | **34,769,442** | **3,450,000** | **—** | **(38,945,123)** | **179,523,494** |

### 6.1.3 Net book values

| At cost | 2026 Rs. | 2025 Rs. |
|---|---|---|
| Land | 249,900,000 | 239,300,000 |
| Buildings | 462,297,965 | 472,094,493 |
| Motor Vehicle | 21,396,056 | 124,962 |
| Computers | 6,687,301 | 7,227,540 |
| Furniture & Fittings | 5,538,729 | 9,206,710 |
| Office Equipment | 18,877,887 | 26,195,499 |
| Machinery & Equipment | 5,474,207 | 7,870,233 |
| Agri Net House | 147,597 | 294,934 |
| **Total carrying amount of property, plant and equipment** | **770,319,741** | **762,314,371** |

(a) Property, Plant & Equipment has been pledged as securities for bank facilities. Please refer note no. 20.4.

(b) No borrowing costs were capitalised under property, plant and equipment during the year ended 31 March 2026 (2025: Rs. 2,659,411/-).

**6.1.4** During the financial year, the group acquired property, plant and equipment to the aggregate value of Rs. 32,174,812/-. Cash payments amounting to Rs. 32,174,812/- were made during the year for purchase of property, plant and equipment.

**6.1.5** In 2026, the Group sold property, plant and equipment with a zero net carrying amount for cash consideration of Rs. 10,216,102. The net gains arising from these disposals were recognised as other income in the statement of profit or loss.

**6.1.6** Property, Plant and Equipment includes fully depreciated assets having gross carrying value of LKR 104.23 Mn (2025 – LKR 139.67 Mn).

# NOTES TO THE FINANCIAL STATEMENTS

## 6.2 Measurement of fair values of freehold land — Group and Company

**(a) Valuation process**
The Group's and Company's freehold lands are stated at their revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated impairment losses. The Group and Company revalued their freehold lands as at 31 March 2026. The fair value measurements were carried out by Dr. D. Prathapsinghe, an independent Chartered Valuation Surveyor of Prathap Chartered Valuation & Consultancy (Pvt) Ltd, who possesses appropriate professional qualifications and recent experience in the valuation of properties in the relevant locations. The gain arising from the revaluation has been recognised in Other Comprehensive Income and credited to the revaluation reserve.

**(b) Valuation techniques used**
Valuation technique : Market Comparable Approach
The lands are valued using the market comparable approach. Under the market comparable approach, a property's fair value is estimated based on comparable transactions. The valuer used the comparable method of valuation involving analysing data obtained from local selling prices for the entire portfolio, by property type. The market comparable approach is based upon the principle of substitution under which a potential buyer will not pay more for the property than it will cost to buy a comparable substitute property. The unit of comparison applied by the Group is the price per perch.

**(c) Fair value hierarchy**
The fair value measurement for all the lands are categorised as a Level 3 fair value based on the inputs to the valuation technique used. A significant increase in the market value per perch, capitalisation rate and market rent used in arriving at fair value would result in a significant increase in fair value, and vice versa. There has been no change to the valuation technique during the year.

Level 1 - Quoted prices in active markets
Level 2 - Significant observable inputs
Level 3 - Significant unobservable inputs

## 6.3 Significant unobservable inputs and sensitivity — Group and Company

Description of the above valuation techniques together with narrative descriptions on sensitivity of the fair value measurement to changes in significant unobservable inputs are tabulated below;

| Valuation Technique | Significant Unobservable Valuation Inputs | Sensitivity of the Fair Value Measurement to Inputs |
|---|---|---|
| **Market Comparable Method**<br>This method considers the selling price of a similar property within a reasonably recent period of time in determining the fair value of the property being revalued. This involves evaluation of recent market prices of similar assets, making appropriate adjustments for differences in size, nature, location, condition of specific property. In this process outlier transactions, indicative of particular motivated buyers or sellers are too compensated for since the price may not adequately reflect the fair market value. | Price per perch for Land | Estimated fair value would increase/(decrease) if;<br>• Price per perch increases/(decreases) |

# NOTES TO THE FINANCIAL STATEMENTS

## 6.4 Carrying value

**Group**

| | 2026 Rs. | 2025 Rs. |
|---|---|---|
| At Cost | 520,419,741 | 523,014,371 |
| At Valuation | 249,900,000 | 239,300,000 |
| | **770,319,741** | **762,314,371** |

## 6.5

The carrying amount of revalued Freehold Land, if they were carried at cost less depreciation would be as follows,

| | Group | | |
|---|---|---|---|
| | Cost (Rs.) | Accumulated Depreciation (Rs.) | Net Carrying Amount |
| Freehold land | 227,332,000 | — | 227,332,000 |

## 6.6 Company

**Company**

### 6.6.1 Gross carrying amounts

| At cost / revaluation | Balance as at 01.04.2025 Rs. | Revaluation Surplus/(Deficits) Rs. | Additions Rs. | Reclassification Rs. | Disposal Rs. | Balance as at 31.03.2026 Rs. |
|---|---|---|---|---|---|---|
| Land | 170,900,000 | 7,800,000 | — | — | — | 178,700,000 |
| Buildings | 370,492,591 | — | — | — | — | 370,492,591 |
| Motor Vehicle | 35,759,490 | — | — | 3,450,000 | (33,024,490) | 6,185,000 |
| Computers | 16,864,018 | — | 76,000 | — | — | 16,940,018 |
| Furniture & Fittings | 8,836,585 | — | — | — | — | 8,836,585 |
| Office Equipment | 33,642,297 | — | 492,239 | — | (324,632) | 33,809,904 |
| | **636,494,981** | **7,800,000** | **568,239** | **3,450,000** | **(33,349,123)** | **614,964,098** |

# NOTES TO THE FINANCIAL STATEMENTS

### 6.6.2 Depreciation

| | Balance as at 01.04.2025 Rs. | Charge for the year Rs. | Reclassification Rs. | Disposal/Transfer Rs. | Balance as at 31.03.2026 Rs. |
|---|---|---|---|---|---|
| Buildings | 16,991,616 | 7,411,591 | — | — | 24,403,207 |
| Motor Vehicle | 35,640,740 | 118,750 | 3,450,000 | (33,024,490) | 6,185,000 |
| Computers | 13,635,630 | 1,385,206 | — | — | 15,020,836 |
| Furniture & Fittings | 7,109,962 | 489,855 | — | — | 7,599,817 |
| Office Equipment | 25,709,556 | 4,378,476 | — | (324,632) | 29,763,400 |
| **Total depreciation** | **99,087,503** | **13,783,878** | **3,450,000** | **(33,349,123)** | **82,972,260** |

# NOTES TO THE FINANCIAL STATEMENTS

### 6.6.3 Net book values

| Company<br>At cost | 2026<br>Rs. | 2025<br>Rs. |
|---|---|---|
| Land | 178,700,000 | 170,900,000 |
| Buildings | 346,089,384 | 353,500,975 |
| Motor Vehicle | — | 118,750 |
| Computers | 1,919,182 | 3,228,388 |
| Furniture & Fittings | 1,236,767 | 1,726,623 |
| Office Equipment | 4,046,504 | 7,932,741 |
| **Total carrying amount of property, plant and equipment** | **531,991,837** | **537,407,477** |

**6.6.4** In 2026, the company acquired property, plant, and equipment to the aggregate value of Rs. 568,239/- (2025 – Rs. 6,943,437/-). Cash payments amounting to Rs. 568,239/- (2025 – Rs. 6,943,437/-) were made during the year for purchase of property, plant and equipment.

**6.6.5** In 2026, the Company sold property, plant and equipment with a zero carrying amount for cash consideration of Rs. 131,356. The net gains arising from these disposals were recognised as other income in the statement of profit or loss.

**6.6.6** Property, Plant and Equipment includes fully depreciated assets having gross carrying value of LKR 47.3 Mn (2025 – LKR 82.46 Mn).

# NOTES TO THE FINANCIAL STATEMENTS

### 6.7 Value and ownership of freehold land and freehold buildings of the Group/Company.

| Location | Property | No. of buildings | Extent | Value per perch / sq. ft | Carrying value (Rs.) |
|---|---|---|---|---|---|
| | | Rs. | | Rs. | Rs. |
| Mirihana — Production Building | Land | — | A-0, R-0, P11.40 | 6,245,614 | 71,200,000 |
| | Building | 01 | 10,000 Sq. ft | 11,621 | 116,208,581 |
| Mirihana — Head Office | Land | — | A-0, R-0, P31.08 | 5,749,678 | 178,700,000 |
| | Building | 01 | 32,000 Sq. ft | 10,815 | 346,089,384 |

# NOTES TO THE FINANCIAL STATEMENTS

## 7. INVESTMENT PROPERTY

| | Group | | Company | |
|---|---|---|---|---|
| | 2026<br>Rs. | 2025<br>Rs. | 2026<br>Rs. | 2025<br>Rs. |
| At the beginning of the year | 204,195,000 | — | 133,208,000 | — |
| Classified as Investment Property during the period | — | 184,253,916 | — | 115,228,865 |
| Change in fair value during the year | 17,219,000 | 19,941,084 | 11,498,000 | 17,979,135 |
| **At the end of the year** | **221,414,000** | **204,195,000** | **144,706,000** | **133,208,000** |

### 7.1 The details of fair value of investment properties of the Group as follows:

| Company | Location | Building area (Sq Ft) | Land area (Perch) | Value per Perch/Sq. ft | Value of building<br>Rs. | Value of land<br>Rs. | Total<br>Rs. |
|---|---|---|---|---|---|---|---|
| Kapruka Holdings PLC | Lot No. 4860 & 4855 in Plan No. 952 | 8,118 | 13.52 | 6,500,000 p.p. / 7,000 Sq. ft | 56,826,000 | 87,880,000 | 144,706,000 |
| Kapruka E-Commerce (Pvt) Ltd | Lot No. 4858 in Plan No. 952 | 3,901 | 7.00 | 6,500,000 p.p. / 8,000 Sq. ft | 31,208,000 | 45,500,000 | 76,708,000 |
| | | | | | **88,034,000** | **133,380,000** | **221,414,000** |

### 7.2 Measurement of fair value

**(a) Valuation process**

The Group has revalued all of its investment properties in the reporting period ending 31st March 2026. The value measurements were carried out for accounting purposes by Lochana I. Silva, an independent Chartered Valuation Surveyor and Real Estate Consultant of USLS Chartered Valuers, with appropriate professional qualifications and experience in the valuation of properties in the relevant locations. The property was inspected on 31st March 2026. The valuation was carried out in accordance with the standards stipulated by the R.I.C.S. and the I.V.S.L.

The properties are valued using the cost approach. Based on the individual characteristics of the subject property, the valuation comprises the value of the land and buildings, with road reservations excluded from the valuation. The land valuation was determined having regard to market evidence of commercial-cum-residential allotments within the locality and the property's location, extent, physical characteristics, accessibility, availability of infrastructure and amenities, prevailing market demand and suitability for mixed commercial and residential development. The buildings were valued based on their respective floor areas and applicable rates, taking into consideration their age and condition.

**(b) Valuation techniques used**

Valuation technique : Cost Approach

The valuation technique used during the year has changed from the market comparable approach used in the previous year to the cost approach. The properties are valued using the cost approach. Based on the individual characteristics of the subject property, the valuation comprises the value of the land and buildings, with road reservations excluded from the valuation. The land valuation was determined having regard to market evidence of commercial-cum-residential allotments within the locality and the property's location, extent, physical characteristics, accessibility, availability of infrastructure and amenities, prevailing market demand and suitability for mixed commercial and residential development. The buildings were valued based on their respective floor areas and applicable rates, taking into consideration their age and condition.

**(c) Fair value hierarchy**

The fair value measurements of the investment properties are categorised as Level 3 within the fair value hierarchy based on the inputs to the valuation technique used.

- Level 1 – Quoted price (unadjusted) in an active market for identical assets that the entity can access at the measurement date.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 – Unobservable inputs for the asset.

**(d) Significant unobservable inputs and sensitivity**

The fair value measurements of the investment properties are categorised within Level 3 of the fair value hierarchy. The significant unobservable inputs used in the valuation include the estimated market value per perch of land and the applicable rate per square foot for buildings, having regard to the location, extent, physical characteristics, accessibility, availability of infrastructure and amenities, prevailing market demand, and the age and condition of the buildings.

A significant increase/(decrease) in the estimated market value per perch of land, with all other variables held constant, would result in a significant increase/(decrease) in the fair value of the investment properties. Similarly, a significant increase/(decrease) in the applicable rate per square foot for buildings, with all other variables held constant, would result in an increase/(decrease) in the fair value of the investment properties.

### 7.3 Rental income and direct operating expenses

An amount of Rs. 2,800,000 has been recognised as rental income from investment properties in the Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 March 2026.

No direct operating expenses, including repairs and maintenance expenses, relating to investment properties were incurred during the year ended 31 March 2026.

# NOTES TO THE FINANCIAL STATEMENTS

## 8. RIGHT-OF-USE ASSETS

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability (present value of future lease payments discounted using the Company's incremental borrowing rate) adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The movement of Right of Use Lease assets of the Company is as follows;

**8.1 Group**

### 8.1.1 Carrying value of right-of-use assets

| | Land<br>Rs. | Building<br>Rs. | Motor Vehicles<br>Rs. | Total<br>Rs. |
|---|---|---|---|---|
| **Cost** | | | | |
| As at 1 April 2025 | 21,914,154 | 4,696,192 | 22,180,000 | 48,790,345 |
| New lease entered during the year | — | 3,983,473 | 52,750,000 | 56,733,473 |
| De-recognition | — | (2,971,266) | — | (2,971,266) |
| **As at 31 March 2026** | **21,914,154** | **5,708,398** | **74,930,000** | **102,552,552** |
| **Accumulated amortisation** | | | | |
| As at 1 April 2025 | 4,353,806 | 3,924,153 | 12,011,479 | 20,289,438 |
| Amortisation charge for the year | 1,741,522 | 2,461,128 | 18,570,516 | 22,773,167 |
| De-recognition | — | (2,971,266) | — | (2,971,266) |
| **As at 31 March 2026** | **6,095,328** | **3,414,015** | **30,581,996** | **40,091,339** |

| Carrying value | 2026<br>Rs. | 2025<br>Rs. |
|---|---|---|
| Land | 15,818,826 | 17,560,348 |
| Buildings | 2,294,383 | 772,038 |
| Motor Vehicles | 44,348,004 | 10,168,521 |
| **Total carrying value** | **62,461,213** | **28,500,907** |

# NOTES TO THE FINANCIAL STATEMENTS

**8.2 Company**

### 8.2.1 Carrying value of right-of-use assets

| | Land<br>Rs. | Building<br>Rs. | Motor Vehicles<br>Rs. | Total<br>Rs. |
|---|---|---|---|---|
| **Cost** | | | | |
| As at 1 April 2025 | 21,914,154 | 1,724,925 | 22,180,000 | 45,819,079 |
| New lease entered during the year | — | 2,175,780 | 52,750,000 | 54,925,780 |
| De-recognition | — | (1,724,925) | (3,450,000) | (5,174,925) |
| **As at 31 March 2026** | **21,914,154** | **2,175,780** | **71,480,000** | **95,569,934** |
| **Accumulated amortisation** | | | | |
| As at 1 April 2025 | 4,353,806 | 1,365,566 | 12,011,479 | 17,730,851 |
| Amortisation charge for the year | 1,741,522 | 993,962 | 18,570,516 | 21,306,000 |
| De-recognition | — | (1,724,925) | (3,450,000) | (5,174,925) |
| **As at 31 March 2026** | **6,095,328** | **634,603** | **27,131,996** | **33,861,926** |

| Carrying value | 2026<br>Rs. | 2025<br>Rs. |
|---|---|---|
| Land | 15,818,826 | 17,560,348 |
| Buildings | 1,541,177 | 359,359 |
| Motor Vehicles | 44,348,004 | 10,168,521 |
| **Total carrying value** | **61,708,008** | **28,088,228** |

## 9. INTANGIBLE ASSETS

| Computer Software | Group | | Company | |
|---|---|---|---|---|
| | 2026<br>Rs. | 2025<br>Rs. | 2026<br>Rs. | 2025<br>Rs. |
| **Cost** | | | | |
| As at 1 April | 22,223,777 | 22,223,777 | 6,323,777 | 6,323,777 |
| As at 31 March | 22,223,777 | 22,223,777 | 6,323,777 | 6,323,777 |
| **Amortization** | | | | |
| As at 1 April | 8,821,819 | 7,000,354 | 5,641,819 | 5,410,354 |
| Amortization for the year | 1,794,678 | 1,821,465 | 204,678 | 231,465 |
| As at 31 March | 10,616,497 | 8,821,819 | 5,846,497 | 5,641,819 |
| **Carrying value as at 31 March** | **11,607,280** | **13,401,958** | **477,280** | **681,958** |

# NOTES TO THE FINANCIAL STATEMENTS

## 10. INVESTMENTS IN SUBSIDIARIES

| Unquoted subsidiaries | Number of shares | | Holding | | Company (Rs.) | |
|---|---|---|---|---|---|---|
| | 2026 Rs. | 2025 Rs. | 2026 | 2025 | 2026 Rs. | 2025 Rs. |
| Kapruka E Commerce (Pvt) Ltd | 9,143,401 | 8,531,156 | 100% | 100% | 744,045,909 | 714,045,904 |
| Kapruka Production (Pvt) Ltd | 10,000 | 10,000 | 100% | 100% | 5,370,000 | 5,370,000 |
| Kapruka Tech Root (Pvt) Ltd | 2 | 2 | 100% | 100% | 20 | 20 |
| Kapruka USA LLC | 1 | 1 | 100% | 100% | 31,200 | 31,200 |
| Kapruka Ventures (Pvt) Ltd | 2 | 2 | 100% | 100% | 20 | 20 |
| Kapruka Global UK Ltd | 1 | 1 | 100% | 100% | 365 | 365 |
| | | | | | **749,447,514** | **719,447,509** |

- (a) The subsidiaries of the Company are incorporated in Sri Lanka except for company Kapruka USA LLC and Kapruka Global UK Ltd.
- (b) The main activities of the subsidiary companies are given in Note 39 — Group Structure.
- (c) The Group has assessed each subsidiary that has non-controlling interests based on contribution made to the Group revenue, Group profit, total assets and net assets, and has determined that such non-controlling interests are not material to the Group.

## 11. INVESTMENT IN ASSOCIATES

The company also acquired 25% of the shareholding of Kapruka Global Shop (Pvt) Ltd in October 2021 for a consideration of Rs. 20/-. The Group applies the equity method in accounting for the investment in associate. For the financial period, the share of loss from the investment in associate is greater than the balance of investment in associate. Hence, the loss has recognized up to the balance in investment in associate. Therefore, the Investment in Equity Accounted Investees is zero at the Year end.

| As at 31 March | Equity holding % | | 2026 (Rs.) | 2025 (Rs.) |
|---|---|---|---|---|
| Unquoted | 2026 | 2025 | Rs. | Rs. |
| Kapruka Global Shop (Pvt) Ltd | 25% | 25% | 20 | 20 |
| Cumulative Loss Accruing to the Group Net of Dividend | | | — | — |
| Cumulative Other Comprehensive Income Accruing to the Group | | | — | — |
| Impairment of Investment in Associate | | | (20) | (20) |
| | | | **(20)** | **(20)** |
| **Carrying amount of the investment** | | | **—** | **—** |

### 11.1 Summarised financial information of associate

| | 2026 Rs. | 2025 Rs. |
|---|---|---|
| **Associates' Statement of Financial Position;** | | |
| Current assets | 11,144,880 | 2,861,315 |
| Non-current assets | 2,636,629 | 2,645,129 |
| Current liabilities | (51,079,762) | (41,053,005) |
| Non-current liabilities | — | (352,343) |
| **Carrying amount of associate** | **(37,298,253)** | **(35,898,904)** |
| **Associates' Statement of Profit or Loss;** | | |
| Share of the associate revenue | 17,132,467 | 24,672,632 |
| Share of the associate profits/(loss) before tax | (1,399,349) | (7,082,612) |
| **Share of the associate profits/(loss) after tax** | **(1,399,349)** | **(7,032,863)** |

# NOTES TO THE FINANCIAL STATEMENTS

## 12. OTHER NON-CURRENT FINANCIAL ASSETS

| Group/Company | Institution | 2026 Rs. | 2025 Rs. |
|---|---|---|---|
| **Non-Quoted Investments** | | | |
| Convertible Preference Shares | Grasshoppers (Pvt) Ltd | 8,900,000 | 8,900,000 |
| Less: Impairment | | (8,900,000) | (8,900,000) |
| | | — | — |

## 13. INVENTORIES

| | Group | | Company | |
|---|---|---|---|---|
| | 2026 Rs. | 2025 Rs. | 2026 Rs. | 2025 Rs. |
| Trading items | 164,388,268 | 139,112,583 | — | — |
| Raw materials | 27,488,485 | 17,023,019 | — | — |
| Work in progress | — | — | — | — |
| | **191,876,753** | **156,135,602** | **—** | **—** |
| Less: Provision for stock variance and slow moving inventories (Note 13.2) | (18,903,308) | (19,198,616) | — | — |
| | **172,973,445** | **136,936,986** | **—** | **—** |

### 13.1

Inventories are stated at cost or net realisable value, whichever is lower. The breakup of the carrying value on inventories are as follows:

| As at 31st March | Group | |
|---|---|---|
| | 2026 Rs. | 2025 Rs. |
| At Cost | 172,973,445 | 136,936,986 |
| At Net Realisable Value | — | — |
| **Total** | **172,973,445** | **136,936,986** |

### 13.2 Provision for stock variance and slow moving inventories

| | Group | | Company | |
|---|---|---|---|---|
| | 2026 Rs. | 2025 Rs. | 2026 Rs. | 2025 Rs. |
| At the beginning of the year | 19,198,616 | 24,423,066 | — | — |
| Provision/(Reversal) during the year | (295,308) | (5,224,450) | — | — |
| **At the end of the year** | **18,903,308** | **19,198,616** | **—** | **—** |

# NOTES TO THE FINANCIAL STATEMENTS

## 14. TRADE AND OTHER RECEIVABLES

| | Group | | Company | |
|---|---|---|---|---|
| | 2026 Rs. | 2025 Rs. | 2026 Rs. | 2025 Rs. |
| Trade receivables | 32,066,953 | 15,703,096 | — | — |
| Less: Provision for impairment for trade receivables (Note 14.1) | (657,996) | (2,154,513) | — | — |
| | **31,408,957** | **13,548,584** | **—** | **—** |
| Staff debtors | 849,649 | 492,436 | 266,702 | 281,702 |
| Welfare receivable | 586,773 | 347,250 | — | — |
| WHT Receivable | 375,778 | 674,731 | 375,778 | 674,731 |
| Interest receivable | 326,470 | 4,043,499 | 326,470 | 4,043,499 |
| Other receivables | 1,913,752 | 3,758,777 | — | — |
| | **35,461,377** | **22,865,277** | **968,949** | **4,999,932** |

*Impairment losses.* All trade receivables that are past due, have been considered for impairment as at 31st March 2026. The movement in the allowance for impairment of trade receivables is disclosed in Note No. 14.1.

### 14.1 Provision for impairment for trade receivables

| | Group | | Company | |
|---|---|---|---|---|
| | 2026 Rs. | 2025 Rs. | 2026 Rs. | 2025 Rs. |
| Balance at the beginning of the year | 2,154,513 | 801,766 | — | — |
| Provision/(Reversal) for the year | (1,117,724) | 1,142,746 | — | — |
| Write off during the year | (378,793) | 210,000 | — | — |
| **Balance at the year end** | **657,996** | **2,154,513** | **—** | **—** |

# NOTES TO THE FINANCIAL STATEMENTS

## 15. RELATED PARTY DISCLOSURES

Refer Note 10 for effective equity holding percentages and other key information of Group entities.

**Terms and conditions of transactions with related parties.** The Group and Company carried out transactions in the ordinary course of the business at commercial rates with parties who are defined as Related Parties as per the Sri Lanka Accounting Standard – LKAS 24 'Related Party Disclosures'.

Transactions with related parties are carried out in the ordinary course of business. The related party balances outstanding at year-end include an intercompany loan of LKR 69,200,000 provided by Kapruka Holdings PLC (the Parent) to Kapruka E-Commerce (Pvt) Ltd. The intercompany loan bears interest at AWLR + 0.5% per annum, in accordance with the terms and conditions of the Intercompany Loan Agreement. The remaining outstanding related party current account balances at year-end are unsecured, bear interest at AWPLR + 4% per annum, and are settled in cash.

### Non-recurrent Related Party Transactions

| Company | 2026<br>Rs. | 2025<br>Rs. |
|---|---|---|
| Investment in Subsidiaries share capital | 30,000,005 | 22,000,000 |

During the year, Kapruka Holdings PLC (Company) invested its IPO funds in Kapruka E-Commerce (Pvt) Ltd equity shares to initiate IPO objectives. Necessary market announcements were also published as per the requirements of the Colombo Stock Exchange Listing Rules.

Other than above, there were no other non-recurrent Related Party Transactions of the Company which in aggregate value exceeds 10% of the equity or 5% of the total assets whichever is disclosures in the Annual Report under Colombo Stock Exchange Listing Rule 9.14.8 and the Code of Best Practices on Related Party Transactions published in accordance with the Securities and Exchange Commission Directive issued under Section 13 (c) of the Securities and Exchange Commission Act. lower, as per March 31, 2026. Audited Financial Statements, which required additional disclosures in the Annual Report under Colombo Stock Exchange Listing Rule 9.14.8 and the Code of Best Practices on Related Party Transactions published in accordance with the Securities and Exchange Commission Directive issued under Section 13 (c) of the Securities and Exchange Commission Act

### Recurrent Related Party Transactions

There were no other recurrent Related Party Transactions which in aggregate value exceeds 10% of the consolidated revenue of the Group as per 31 March 2026 Audited Financial Statements, which required additional disclosures in the Annual Report under the Colombo Stock Exchange Listing Rule 9.14.8 and the Transactions under the Securities and Exchange Commission Directive issued The Directors declare that they have complied with the provisions of the Code relating to full disclosure of Related Party Transactions entered into during the Financial Year ended March 31, 2026.

### 15.1 Amounts due from related parties

| | Group | | Company | |
|---|---|---|---|---|
| | 2026<br>Rs. | 2025<br>Rs. | 2026<br>Rs. | 2025<br>Rs. |
| Trade Receivables — Related parties | — | — | 67,702,181 | 8,327,859 |
| Non-Trade Receivables — Related Parties (15.2) | 42,818,744 | 41,927,883 | — | — |
| | **42,818,744** | **41,927,883** | **67,702,181** | **8,327,859** |

# NOTES TO THE FINANCIAL STATEMENTS

### 15.2 Amounts due from related parties

| | Relationship | Group | | Company | |
|---|---|---|---|---|---|
| | | 2026 Rs. | 2025 Rs. | 2026 Rs. | 2025 Rs. |
| Kapruka Tech Root (Pvt) Ltd | Subsidiary | — | — | 980,080 | 28,065 |
| Kapruka Productions (Pvt) Ltd | Subsidiary | — | — | 1,602,051 | — |
| Kapruka Global UK Ltd | Subsidiary | — | — | 3,086,709 | 338,882 |
| Kapruka E-Commerce (Pvt) Ltd | Subsidiary | — | — | 54,548,898 | — |
| Kapruka Global Shop (Pvt) Ltd | Associate | 41,682,507 | 40,315,178 | 6,348,207 | 6,348,207 |
| Java Lounge (Pvt) Ltd | Affiliate | 1,136,236 | 1,612,705 | 1,136,236 | 1,612,705 |
| Grasshoppers (Pvt) Ltd | Affiliate | 12,226,063 | 12,226,063 | 12,226,063 | 12,226,063 |
| | | **55,044,806** | **54,153,946** | **79,928,244** | **20,553,922** |
| Less: Provision for Impairment | | (12,226,063) | (12,226,063) | (12,226,063) | (12,226,063) |
| | | **42,818,744** | **41,927,883** | **67,702,181** | **8,327,859** |

Impairment provision balance attributable to the affiliate company of Grasshoppers (Pvt) Ltd is due from the balance. As the major shareholder of Kapruka Global Shop (Pvt) Ltd, Mr. H.P.D.V. Herath acknowledges that the company owes Rs. 41.6 Mn to Kapruka Holdings PLC and Kapruka E-Commerce (Pvt) Ltd. An impairment has not been recorded, as Mr. Herath has provided a formal undertaking to settle the full amount. He is committed to recovering these funds and will personally cover any remaining balance after all recovery efforts.

### 15.3 Amounts due to related parties

| | Relationship | Group | | Company | |
|---|---|---|---|---|---|
| | | 2026 Rs. | 2025 Rs. | 2026 Rs. | 2025 Rs. |
| Kapruka E Commerce (Pvt) Ltd | Subsidiary | — | — | — | 85,503,826 |
| Kapruka LLC | Affiliate | 7,047,300 | 6,843,109 | — | — |
| Kapruka Goodwill Foundation | Affiliate | 291,923 | 268,393 | — | — |
| Java Lounge (Private) Limited | Affiliate | 59,771,918 | 38,222,325 | — | — |
| | | **67,111,141** | **45,333,827** | **—** | **85,503,826** |

### 15.4 Transaction with Key Management Personnel Compensation of the company

The Key Management Personnel of the Company are the members of its Board of Directors.

**Key management personal compensation**

| | Group | | Company | |
|---|---|---|---|---|
| | 2026 Rs. | 2025 Rs. | 2026 Rs. | 2025 Rs. |
| **Short Term Employee Benefits** | **23,239,947** | **22,814,581** | **12,283,160** | **13,287,320** |

There were no post-employment benefits, other long-term benefits, termination benefits or share-based payments provided to Key Management Personnel during the year. Accordingly, Key Management Personnel compensation comprises only short-term employee benefits.

- **Key Management Personnel (KMP)** — Key Management Personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity directly or indirectly.
- **KMP of the Company:** The Board of Directors (including Executive and Non-Executive) of the Company have been classified as KMP of the Company.
- **KMP of the Group:** The Board of Directors (including Executive and Non-Executive) of the Company and the Board of Directors of the holding company have been classified as KMP of the Group. The officers who are only Directors of subsidiaries and not of the company have been classified as KMP for that subsidiary.

# NOTES TO THE FINANCIAL STATEMENTS

### 15.4.1 Transactions with subsidiaries, associate and other related parties

| Company | Relationship | Nature of the Transaction | Amount 2026 Rs. | Amount 2025 Rs. | Balance as at 31 March 2026 Rs. | Balance as at 31 March 2025 Rs. |
|---|---|---|---|---|---|---|
| **Kapruka E Commerce (Pvt) Ltd** | **Subsidiary** | | **—** | **—** | **(54,548,893)** | **(85,503,826)** |
| | | Management Fee | 222,109,636 | 210,092,211 | — | — |
| | | Fund Transferred to/from Related Party | (254,326,923) | (73,995,536) | — | — |
| | | Expenses Incurred on behalf | (2,975,222) | (5,835,538) | — | — |
| | | Interest charged on current account balance | (3,052,558) | (17,602,370) | — | — |
| | | Intercompany Loan | 69,200,000 | — | — | — |
| **Kapruka Tech Root (Pvt) Ltd** | **Subsidiary** | | **—** | **—** | **980,080** | **28,065** |
| | | Management Fee | 11,760,924 | 13,748,850 | — | — |
| | | Payments Made/Received | (10,808,909) | (13,748,851) | — | — |
| **Kapruka Production (Pvt) Ltd** | **Subsidiary** | | **—** | **—** | **1,602,051** | **—** |
| | | Management Fee | 19,224,609 | 14,651,840 | — | — |
| | | Payments Made/Received | (17,622,557) | (16,828,431) | — | — |
| | | Expenses Incurred on behalf | — | 7,191 | — | — |
| **Kapruka Global Shop (Pvt) Ltd** | **Associate** | | **—** | **—** | **6,348,207** | **6,348,207** |
| | | Management Fee | — | 2,439,891 | — | — |
| **Kapruka Global UK Ltd** | **Subsidiary** | | **—** | **—** | **3,086,709** | **338,882** |
| | | Share Issue | — | 365 | — | — |
| | | Fund Transferred to/from Related Party | 2,675,723 | 338,517 | — | — |
| | | Exchange Gain/(Loss) Adjustment | 72,105 | — | — | — |
| **JAVA Lounge (Pvt) Ltd** | **Affiliate** | | **—** | **—** | **1,136,236** | **1,612,705** |
| | | Management Fee/ Rent | 2,031,960 | 2,083,910 | — | — |
| | | Payments Made/Received | (4,794,007) | (3,754,824) | — | — |
| | | Expenses Incurred on behalf | 2,285,578 | 2,170,511 | — | — |

# NOTES TO THE FINANCIAL STATEMENTS

### 15.4.2 Material transactions done by a subsidiary with affiliate

| Company | Relationship | Nature of the Transaction | Amount | | Balance as at 31 March | |
|---|---|---|---|---|---|---|
| | | | 2026 Rs. | 2025 Rs. | 2026 Rs. | 2025 Rs. |
| Kapruka E - Commerce (Pvt) Ltd with Kapruka LLC | Affiliate | | — | — | (7,047,300) | (6,694,935) |
| | | Expenses Incurred on behalf of Related Parties | — | (1,680,466) | — | — |
| | | Fund Transferred From US Account to Sri Lanka | — | (7,674,192) | — | — |
| | | Supplier Payment made | — | 5,251,108 | — | — |
| | | Funds Transfer From/(To) Inter LLC Accounts | — | 6,893,517 | — | — |
| | | Exchange Gain/(Loss) Adjustment | (352,365) | — | — | — |
| Kapruka E - Commerce (Pvt) Ltd with Kapruka USA LLC | Affiliate | | — | — | 142,159,820 | 84,235,149 |
| | | Expenses Incurred on behalf of Related Parties | 28,309,829 | (183,689,363) | — | — |
| | | Fund Transferred From US Account to Sri Lanka | (1,036,003,428) | (961,469,970) | — | — |
| | | Funds Received From Customers | 1,241,702,021 | 1,133,291,883 | — | — |
| | | Supplier Payment made | (176,083,751) | 17,487,033 | — | — |
| | | Funds Transfer From/(To) Inter LLC Accounts | — | 10,553,929 | — | — |

## 16. DEPOSITS, ADVANCES AND PREPAYMENTS

| | Group | | Company | |
|---|---|---|---|---|
| | 2026 Rs. | 2025 Rs. | 2026 Rs. | 2025 Rs. |
| Advance Payments to Suppliers | — | 6,491,253 | — | 538,382 |
| Rent Deposits | 1,740,000 | 3,170,000 | 1,740,000 | 1,680,000 |
| Other advances and prepayments | 14,609,564 | 13,312,567 | 1,302,620 | 1,282,072 |
| | **16,349,564** | **22,973,820** | **3,042,620** | **3,500,455** |

# NOTES TO THE FINANCIAL STATEMENTS

## 17. SHORT TERM FINANCIAL ASSETS

| Other financial assets at amortized cost | Group | | Company | |
|---|---|---|---|---|
| | 2026 Rs. | 2025 Rs. | 2026 Rs. | 2025 Rs. |
| Non-Quoted Investments (Note 17.1) | 91,510,514 | 159,000,000 | 91,510,514 | 159,000,000 |
| Investment in fixed deposits (Note 17.2) | — | 31,710,519 | — | 31,710,519 |
| | **91,510,514** | **190,710,519** | **91,510,514** | **190,710,519** |

| | Institution | Group | | Company | |
|---|---|---|---|---|---|
| | | 2026 Rs. | 2025 Rs. | 2026 Rs. | 2025 Rs. |
| **17.1 Non-Quoted Investments** | | | | | |
| Investment in Commercial Papers | LOLC Holdings PLC | 91,510,514 | 159,000,000 | 91,510,514 | 159,000,000 |
| | | **91,510,514** | **159,000,000** | **91,510,514** | **159,000,000** |
| **17.2 Fixed Deposit** | | | | | |
| Investment in Fixed Deposits | Sampath Bank PLC | — | 31,710,519 | — | 31,710,519 |
| | | **—** | **31,710,519** | **—** | **31,710,519** |
| | | **91,510,514** | **190,710,519** | **91,510,514** | **190,710,519** |

**17.3 Impairment of investments in fixed deposits and money market funds** Management has assessed the impairment of fixed deposits and money market funds by considering the credit ratings of these institutions and considering other economic factors and concluded that the resulting impairment provision is immaterial to the financial statements.

## 18. CASH AND CASH EQUIVALENTS

| | Group | | Company | |
|---|---|---|---|---|
| | 2026 Rs. | 2025 Rs. | 2026 Rs. | 2025 Rs. |
| **18.1 Favourable cash and cash equivalent balances** | | | | |
| Cash and bank balances | 46,730,596 | 36,166,054 | 2,576,415 | 2,897,650 |
| **18.2 Unfavourable cash and cash equivalent balances** | | | | |
| Bank overdrafts | (351,360) | (12,028,275) | (100,783) | (980,267) |
| **Total cash and cash equivalents for the purpose of cash flow statement** | **46,379,236** | **24,137,779** | **2,475,632** | **1,917,382** |

# NOTES TO THE FINANCIAL STATEMENTS

## 19. CAPITAL AND RESERVES

### 19.1 STATED CAPITAL

| Company / Group | 2026 | | 2025 | |
|---|---|---|---|---|
| | No. of shares Rs. | Rs. Rs. | No. of shares Rs. | Rs. Rs. |
| **Issued and fully-paid - ordinary shares** | | | | |
| Balance at the beginning of the year | 164,130,360 | 769,174,795 | 164,130,360 | 769,174,795 |
| Issue of shares | — | — | — | — |
| Transaction costs for issued share capital | — | — | — | — |
| **Balance at the end of the year** | **164,130,360** | **769,174,795** | **164,130,360** | **769,174,795** |

### 19.2 RESERVES

| Company / Group | Group | | Company | |
|---|---|---|---|---|
| | 2026 Rs. | 2025 Rs. | 2026 Rs. | 2025 Rs. |
| **Revaluation reserves** | | | | |
| Balance at the beginning of the year | 165,347,263 | 146,717,852 | 151,245,433 | 137,979,423 |
| Revaluation Gain/(Loss), net of tax | 7,420,000 | 18,629,411 | 5,460,000 | 13,266,010 |
| **Balance at the end of the year** | **172,767,263** | **165,347,263** | **156,705,433** | **151,245,433** |

At the reporting date, the Company recognised a revaluation gain on its land. The valuations were conducted by an independent chartered valuer in accordance with the prevailing professional valuation standards.

### 19.3 Foreign currency translation reserve

| Group | 2026 Rs. | 2025 Rs. |
|---|---|---|
| Balance at the beginning of the year | 113,847 | 226,154 |
| Revaluation Gain/(Loss), net of tax | (2,100,647) | (112,307) |
| **Balance at the end of the year** | **(1,986,800)** | **113,847** |

The movement in the foreign currency translation reserve is attributable to exchange differences arising from the translation of the financial statements of the Group's foreign subsidiaries, Kapruka USA LLC and Kapruka Global UK Ltd, for the year ended 31st March 2026.

# NOTES TO THE FINANCIAL STATEMENTS

## 20. INTEREST BEARING LOANS AND BORROWINGS

20. INTEREST BEARING LOANS AND BORROWINGS

| Other financial liabilities | Group | | Company | |
|---|---|---|---|---|
| | 2026 Rs. | 2025 Rs. | 2026 Rs. | 2025 Rs. |
| **Current interest bearing loans and borrowings** | | | | |
| Bank loans (Note 20.1) | 71,818,020 | 82,150,540 | 43,776,000 | 26,535,000 |
| Lease liabilities (Note 20.2) | 23,838,717 | 5,911,215 | 23,035,351 | 5,287,425 |
| Bank overdrafts (Note 18) | 351,360 | 12,028,275 | 100,783 | 980,267 |
| | **96,008,097** | **100,090,030** | **66,912,134** | **32,802,693** |
| **Non-current interest bearing loans and borrowings** | | | | |
| Bank loans (Note 20.1) | 122,405,202 | 171,326,368 | 105,312,185 | 131,865,000 |
| Lease liabilities (Note 20.2) | 43,732,632 | 25,668,340 | 43,732,632 | 25,668,340 |
| | **166,137,835** | **196,994,708** | **149,044,817** | **157,533,340** |
| **Total interest bearing loans and borrowings** | **262,145,932** | **297,084,738** | **215,956,951** | **190,336,033** |

# NOTES TO THE FINANCIAL STATEMENTS

### 20.1 Bank loans

| Group | As at 01.04.2025 | Loan obtained | Interest | Repayment | As at 31.03.2026 | Current | Non-current |
|---|---|---|---|---|---|---|---|
| | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. |
| Sampath Bank PLC | 158,400,000 | — | 13,188,943 | (22,500,759) | 149,088,185 | 43,776,000 | 105,312,185 |
| Commercial Bank of Ceylon PLC | 73,503,388 | — | 6,266,395 | (34,634,745) | 45,135,038 | 28,042,020 | 17,093,018 |
| Seylan CC Installment 12 months | 641,667 | — | — | (641,667) | — | — | — |
| PayPal Working Capital Business Loan | 20,931,853 | — | — | (20,931,853) | — | — | — |
| | **253,476,908** | **—** | **19,455,338** | **(78,709,023)** | **194,223,222** | **71,818,020** | **122,405,202** |

| Company | As at 01.04.2025 | Loan Obtained | Interest | Repayment | As at 31.03.2026 | Current | Non-current |
|---|---|---|---|---|---|---|---|
| | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. |
| Sampath Bank PLC | 158,400,000 | — | 13,188,943 | (22,500,759) | 149,088,185 | 43,776,000 | 105,312,185 |
| | **158,400,000** | **—** | **13,188,943** | **(22,500,759)** | **149,088,185** | **43,776,000** | **105,312,185** |

# NOTES TO THE FINANCIAL STATEMENTS

## 20. INTEREST BEARING LOANS AND BORROWINGS (CONTD..)

### 20.2 Lease liabilities

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate can not be readily determined, the Company's incremental borrowing rate. The movement of Lease creditor for the period is as follows;

**Group**

| As at 31 March | Land<br>Rs. | Building<br>Rs. | Motor Vehicles<br>Rs. | Total<br>Rs. |
|---|---|---|---|---|
| Balance at the beginning of the year | 22,354,861 | 1,049,439 | 8,175,256 | 31,579,556 |
| Additions | — | 3,983,473 | 52,750,000 | 56,733,473 |
| Interest expense recognised in profit or loss | 1,513,869 | 324,016 | 3,824,440 | 5,662,325 |
| Repayment of liability | (2,640,000) | (2,970,000) | (20,794,004) | (26,404,004) |
| **Balance at the end of the year** | **21,228,730** | **2,386,928** | **43,955,692** | **67,571,350** |

| | Land<br>Rs. | Building<br>Rs. | Motor Vehicles<br>Rs. | Total<br>Rs. |
|---|---|---|---|---|
| **As at 31.03.2025** | | | | |
| Amount repayable within 1 year | 1,126,131 | 1,049,439 | 3,735,646 | 5,911,215 |
| Amount repayable after 1 year | 21,228,730 | — | 4,439,610 | 25,668,340 |
| | **22,354,861** | **1,049,439** | **8,175,256** | **31,579,556** |
| **As at 31.03.2026** | | | | |
| Amount repayable within 1 year | 1,455,809 | 1,898,708 | 20,484,201 | 23,838,717 |
| Amount repayable after 1 year | 19,772,921 | 488,220 | 23,471,491 | 43,732,632 |
| | **21,228,730** | **2,386,928** | **43,955,692** | **67,571,350** |

# NOTES TO THE FINANCIAL STATEMENTS

**Company**

| As at 31 March | Land<br>Rs. | Building<br>Rs. | Motor Vehicles<br>Rs. | Total<br>Rs. |
|---|---|---|---|---|
| Balance at the beginning of the year | 22,354,861 | 425,649 | 8,175,256 | 30,955,766 |
| Additions | — | 2,175,780 | 52,750,000 | 54,925,780 |
| Interest expense recognised in profit or loss | 1,513,869 | 102,132 | 3,824,440 | 5,440,442 |
| Repayment of liability | (2,640,000) | (1,120,000) | (20,794,004) | (24,554,004) |
| **Balance at the end of the year** | **21,228,730** | **1,583,561** | **43,955,692** | **66,767,983** |

| | Land<br>Rs. | Building<br>Rs. | Motor Vehicles<br>Rs. | Total<br>Rs. |
|---|---|---|---|---|
| **As at 31.03.2025** | | | | |
| Amount repayable within 1 year | 1,126,131 | 425,649 | 3,735,646 | 5,287,425 |
| Amount repayable after 1 year | 21,228,730 | — | 4,439,610 | 25,668,340 |
| | **22,354,861** | **425,649** | **8,175,256** | **30,955,765** |
| **As at 31.03.2026** | | | | |
| Amount repayable within 1 year | 1,455,809 | 1,095,341 | 20,484,201 | 23,035,351 |
| Amount repayable after 1 year | 19,772,921 | 488,220 | 23,471,491 | 43,732,632 |
| | **21,228,730** | **1,583,561** | **43,955,692** | **66,767,983** |

### 20.2.1 Total amount recognised in profit or loss

The following are the amounts recognised in profit or loss:

| | Group | | Company | |
|---|---|---|---|---|
| | 2026<br>Rs. | 2025<br>Rs. | 2026<br>Rs. | 2025<br>Rs. |
| Depreciation expense of right-of-use assets | 22,773,167 | 11,069,750 | 12,011,479 | 8,492,717 |
| Interest expense on lease liabilities | 5,662,325 | 4,206,810 | 5,440,442 | 3,646,544 |
| **Total amount recognised in profit or loss** | **28,435,492** | **15,276,560** | **17,451,921** | **12,139,261** |

# NOTES TO THE FINANCIAL STATEMENTS

## 20. INTEREST BEARING LOANS AND BORROWINGS (CONTD..)

### 20.3 Nature and repayment terms of the facilities

| Lender | Nature of facility | Nominal interest rate | Repayment terms | Carrying value of facility | |
|---|---|---|---|---|---|
| | | | | 2026 | 2025 |
| | | | | Rs. | Rs. |
| **Kapruka Holdings PLC** | | | | | |
| Sampath Bank PLC | Term loan | Respective AWPLR + 0.5% | 3.5 years | 149,088,185 | 158,400,000 |
| **Kapruka Production (Pvt) Ltd** | | | | | |
| Commercial Bank of Ceylon PLC | Term loan | 8.5% fixed | 5 years | 45,135,038 | 73,503,388 |
| **Kapruka E-Commerce (Pvt) Ltd** | | | | | |
| Seylan CC Installment 12 months | Working Capital | 10.8% fixed | 12 months | — | 641,667 |
| **Kapruka USA LLC** | | | | | |
| PayPal Working Capital Business Loan | Working Capital | 13.73% fixed | 2 years | — | 20,931,853 |

### 20.4 Assets pledged

The following assets have been pledged as security for above liabilities

| Lender | Nature of facility | Nature of the collateral | Carrying value of asset pledged | |
|---|---|---|---|---|
| | | | 2026 | 2025 |
| | | | Rs. | Rs. |
| Sampath Bank PLC (Kapruka Holdings PLC) | Term loan | Constructed building with land at No. 147, Old Kottawa Road, Mirihana, Nugegoda | 524,789,384 | 524,400,975 |
| Commercial Bank of Ceylon PLC (Kapruka Production) | Term loan | Constructed building with land at No. 175, Old Kottawa Road, Mirihana, Nugegoda | 187,408,581 | 186,993,518 |

# NOTES TO THE FINANCIAL STATEMENTS

## 21. RETIREMENT BENEFIT OBLIGATION

| | Group | | Company | |
|---|---|---|---|---|
| | 2026 Rs. | 2025 Rs. | 2026 Rs. | 2025 Rs. |
| Balance as at 1 April | 35,730,418 | 26,746,537 | 11,650,933 | 9,088,546 |
| Current service cost | 5,169,151 | 3,502,172 | 1,498,620 | 1,090,627 |
| Interest cost | 3,550,516 | 3,647,658 | 1,142,568 | 1,142,568 |
| Actuarial (gain)/loss | 3,897,757 | 4,906,977 | 1,672,001 | 329,192 |
| Payments made during the year | (1,820,778) | (3,072,925) | — | — |
| **As at 31 March** | **46,527,066** | **35,730,419** | **15,964,122** | **11,650,933** |

### 21.1

Following amount are recognized in profit or loss and other comprehensive income during the year in respect of the retirement benefit obligation.

| Expense recognized in profit or loss | Group | | Company | |
|---|---|---|---|---|
| | 2026 Rs. | 2025 Rs. | 2026 Rs. | 2025 Rs. |
| Current service cost | 5,169,151 | 3,502,172 | 1,498,620 | 1,090,627 |
| Interest cost | 3,550,516 | 3,647,658 | 1,142,568 | 1,142,568 |
| | **8,719,668** | **7,149,830** | **2,641,188** | **2,233,195** |

| Actuarial gains and losses recognized directly in OCI | | | | |
|---|---|---|---|---|
| Recognized during the period | 3,897,757 | 4,906,977 | 1,672,001 | 329,192 |

The gratuity liability of the Company, and the Group is based on the actuarial valuation carried out by Actuarial and Management Consultants (Private) Limited, a firm of professional actuaries. The liability is not externally funded and it is a non-contributory defined benefit plan.

LKAS 19 requires the use of actuarial techniques to make a reliable estimate of the amount of retirement benefits that employees have earned in return for their service in the current and prior periods and discount that benefit using projected unit credit method in order to determine the present value of the retirement benefit obligation and the current service cost. This requires an entity to determine how much benefit is attributable to the current and prior periods and to make estimates about demographic variables and financial variables that will influence the cost of the benefit. The following key assumptions were made in arriving at the above figure.

However, under the Payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on the completion of five years of continued service. The Company is liable to pay gratuity in terms of the relevant statute.

### 21.2 The principal assumptions used in determining defined benefit obligation are shown below:

| | Group | | Company | |
|---|---|---|---|---|
| | 2026 | 2025 | 2026 | 2025 |
| Discount rate | 9% | 10% | 9% | 10% |
| Salary increment | 10% | 10% | 10% | 10% |
| Staff turnover | 25% | 24% | 25% | 24% |
| Retirement age | 60 Years | 60 Years | 60 Years | 60 Years |

Assumptions regarding future mortality are based on A 1967/70 mortality table, issued by the Institute of Actuaries, London. Weighted average retirement age of the Company is 3.9 years. The demographic assumptions underlying the valuation are with respect to retirement age, early withdrawals from the services and retirement on medical grounds.

# NOTES TO THE FINANCIAL STATEMENTS

### 21.3 Sensitivity of assumptions employed in actuarial valuation

A change in discount rate and in salary increase would change the present value of the retirement benefit obligations as follows:

| | 2026 | | 2025 | |
|---|---|---|---|---|
| | Effect on comprehensive income increase / (reduction) Rs. | Effect on employee benefit obligation increase / (reduction) in the liability Rs. | Effect on comprehensive income increase / (reduction) Rs. | Effect on employee benefit obligation increase / (reduction) in the liability Rs. |
| A 100 basis point increase (+1%) in the discount rate | (15,430,975) | 15,430,975 | (11,254,037) | 11,254,037 |
| A 100 basis point decrease (−1%) in the discount rate | (16,538,057) | 16,538,057 | (12,078,451) | 12,078,451 |
| A 100 basis point increase (+1%) in the salary increment rate | (16,596,408) | 16,596,408 | (12,124,992) | 12,124,992 |
| A 100 basis point decrease (−1%) in the salary increment rate | (15,365,802) | 15,365,802 | (11,202,914) | 11,202,914 |

### 21.4 The following are the expected present value of defined benefit obligation in future years

| | Group | | Company | |
|---|---|---|---|---|
| | 2026 Rs. | 2025 Rs. | 2026 Rs. | 2025 Rs. |
| Within the next 12 months | 10,700,777 | 8,102,702 | 3,525,364 | 2,463,314 |
| Between 1 and 5 years | 26,533,779 | 20,407,395 | 9,234,607 | 6,986,738 |
| Between 5 and 10 years | 7,380,299 | 5,663,439 | 2,742,153 | 1,806,287 |
| Beyond 10 years | 1,912,210 | 1,556,886 | 461,998 | 394,594 |
| | **46,527,065** | **35,730,422** | **15,964,122** | **11,650,933** |

### 21.5 Employee benefit expenses

| As at 31st March | Group | | Company | |
|---|---|---|---|---|
| | 2026 Rs. | 2025 Rs. | 2026 Rs. | 2025 Rs. |
| Wages and salaries | 319,210,731 | 274,590,042 | 75,795,263 | 74,917,045 |
| Expenses related to post-employment defined benefit plans | 8,719,668 | 7,149,830 | 2,641,188 | 2,233,195 |
| **Total** | **327,930,399** | **281,739,872** | **78,436,451** | **77,150,240** |

# NOTES TO THE FINANCIAL STATEMENTS

## 22. DEFERRED TAX ASSETS AND LIABILITIES

| | Group | | Company | |
|---|---|---|---|---|
| | 2026<br>Rs. | 2025<br>Rs. | 2026<br>Rs. | 2025<br>Rs. |
| **Deferred tax liability** | | | | |
| Accelerated Depreciation on Property, Plant and Equipment | (51,005,889) | (41,583,019) | (45,565,991) | (38,971,761) |
| Intangible Assets | (30,966) | (35,651) | (30,966) | (35,651) |
| Revaluation on Properties and Equipment | (54,345,457) | (51,165,457) | (47,673,818) | (45,333,818) |
| Change in Fair Value of Investment Property | (5,982,325) | (5,982,325) | (5,393,740) | (5,393,740) |
| **Total temporary difference of deferred tax liability** | **(111,364,637)** | **(98,766,452)** | **(98,664,514)** | **(89,734,970)** |
| **Deferred tax assets** | | | | |
| Net Impact from Right of Use Asset and Lease Liability | 1,533,041 | 923,595 | 1,517,993 | 860,261 |
| Employee Benefit Liability | 13,958,120 | 10,459,891 | 4,789,237 | 3,495,280 |
| Provision for Trade debtors | 189,899 | 583,354 | — | — |
| Others | 5,625,500 | 5,700,388 | 3,667,819 | 3,742,706 |
| Slow moving Provision made on Inventory | 4,922,969 | 4,926,434 | — | — |
| Unclaimed Tax Losses carried forward | 3,512,770 | 2,488,916 | — | — |
| **Total temporary difference of deferred tax assets** | **29,742,298** | **25,082,577** | **9,975,048** | **8,098,247** |
| **Net deferred tax assets/(liability)** | **(81,622,339)** | **(73,683,876)** | **(88,689,466)** | **(81,636,722)** |
| **Made up as follows** | | | | |
| Deferred tax assets | 10,993,253 | 10,728,391 | — | — |
| Deferred tax liabilities | (92,615,592) | (84,412,266) | (88,689,466) | (81,636,722) |
| | **(81,622,339)** | **(73,683,876)** | **(88,689,466)** | **(81,636,722)** |

# NOTES TO THE FINANCIAL STATEMENTS

### 22.1 Deferred tax expense /(reversal)

### Movements in deferred tax balances

The analysis of deferred tax assets and deferred tax liabilities is as follows;

**Group**

| As at 31 March | Balance at the Beginning of the Year Rs. | Recognised in Profit or Loss Rs. | Recognised in Other Comprehensive Income Rs. | Balance at the End of the Year Rs. |
|---|---|---|---|---|
| **Deferred tax liability** | | | | |
| Accelerated Depreciation on Property, Plant and Equipment | (41,583,019) | (9,422,870) | — | (51,005,889) |
| Intangible Assets | (35,651) | 4,685 | — | (30,966) |
| Revaluation on Properties and Equipment | (51,165,457) | — | (3,180,000) | (54,345,457) |
| Change in Fair Value of Investment Property | (5,982,325) | — | — | (5,982,325) |
| **Total Deferred Tax Liability** | **(98,766,452)** | **(9,418,185)** | **(3,180,000)** | **(111,364,637)** |
| **Deferred Tax Asset** | | | | |
| Net Impact from Right of Use Asset and Lease Liability | 923,595 | 609,446 | — | 1,533,041 |
| Employee Benefit Liability | 10,459,891 | 2,328,901 | 1,169,327 | 13,958,120 |
| Provision for Trade debtors | 583,354 | (393,455) | — | 189,899 |
| Others | 5,700,388 | (74,887) | — | 5,625,500 |
| Slow moving Provision made on Inventory | 4,926,434 | (3,465) | — | 4,922,969 |
| Unclaimed Tax Losses carried forward | 2,488,916 | 1,023,854 | — | 3,512,770 |
| **Total Deferred Tax Asset** | **25,082,577** | **3,490,395** | **1,169,327** | **29,742,298** |
| | **(73,683,876)** | **(5,927,790)** | **(2,010,673)** | **(81,622,339)** |

# NOTES TO THE FINANCIAL STATEMENTS

## 22. DEFERRED TAX ASSETS AND LIABILITIES (CONTD...)

### 22.1 Movements in deferred tax balances · continued

**Company**

| As at 31 March | Balance at the Beginning of the Year Rs. | Recognised in Profit or Loss Rs. | Recognised in Other Comprehensive Income Rs. | Balance at the End of the Year Rs. |
|---|---|---|---|---|
| **Deferred tax liability** | | | | |
| Accelerated Depreciation on Property, Plant and Equipment | (38,971,761) | (6,594,230) | — | (45,565,991) |
| Intangible Assets | (35,651) | 4,685 | — | (30,966) |
| Revaluation on Properties and Equipment | (45,333,818) | — | (2,340,000) | (47,673,818) |
| Change in Fair Value of Investment Property | (5,393,740) | — | — | (5,393,740) |
| **Total Deferred Tax Liability** | **(89,734,970)** | **(6,589,545)** | **(2,340,000)** | **(98,664,514)** |
| **Deferred Tax Asset** | | | | |
| Net Impact from Right of Use Asset and Lease Liability | 860,261 | 657,731 | — | 1,517,993 |
| Employee Benefit Liability | 3,495,280 | 792,356 | 501,600 | 4,789,237 |
| Provision for Trade debtors | — | — | — | — |
| Others | 3,742,706 | (74,887) | — | 3,667,819 |
| Slow moving Provision made on Inventory | — | — | — | — |
| Unclaimed Tax Losses carried forward | — | — | — | — |
| **Total Deferred Tax Asset** | **8,098,247** | **1,375,201** | **501,600** | **9,975,048** |
| | **(81,636,722)** | **(5,214,344)** | **(1,838,400)** | **(88,689,466)** |

# NOTES TO THE FINANCIAL STATEMENTS

## 23. TRADE AND OTHER PAYABLES

| | Group | | Company | |
|---|---|---|---|---|
| | 2026 Rs. | 2025 Rs. | 2026 Rs. | 2025 Rs. |
| Trade payables | 109,734,944 | 148,922,817 | 6,202,296 | 7,641,280 |
| Advances received from customers | 3,925,724 | 3,526,452 | — | — |
| | **113,660,668** | **152,449,269** | **6,202,296** | **7,641,280** |

Revenue recognised during the year from amounts included in contract liabilities at the beginning of the year – Rs. 3,526,452.27.

### 23.1 Income tax payable / receivable

| | Group | | Company | |
|---|---|---|---|---|
| | 2026 Rs. | 2025 Rs. | 2026 Rs. | 2025 Rs. |
| Income tax (payable) balances | — | (2,133,508) | — | (2,483,900) |
| Income tax receivable balances | 3,524,580 | — | 3,153,572 | — |
| | **3,524,580** | **(2,133,508)** | **3,153,572** | **(2,483,900)** |

The above amounts are unsecured and have no credit periods attached to the same.

## 24. PROVISIONS AND ACCRUED EXPENSES

| | Group | | Company | |
|---|---|---|---|---|
| | 2026 Rs. | 2025 Rs. | 2026 Rs. | 2025 Rs. |
| Provisions | 45,470,305 | 3,888,692 | 3,464,430 | 1,731,047 |
| Accrued Expenses | 31,360,833 | 37,028,462 | 12,459,971 | 13,501,196 |
| | **76,831,138** | **40,917,154** | **15,924,401** | **15,232,243** |

# NOTES TO THE FINANCIAL STATEMENTS

## 25. REVENUE FROM CONTRACTS WITH CUSTOMERS

| | Group | | Company | |
|---|---|---|---|---|
| | 2026 Rs. | 2025 Rs. | 2026 Rs. | 2025 Rs. |
| Sale of Goods | 1,921,958,711 | 1,648,406,025 | — | — |
| Rendering of Services | 5,177,502 | 3,836,997 | 210,610,528 | 199,830,324 |
| **Total Gross Revenue** | **1,927,136,213** | **1,652,243,022** | **210,610,528** | **199,830,324** |

### 25.1 Geographical segmental revenue

| | Group | | Company | |
|---|---|---|---|---|
| | 2026 Rs. | 2025 Rs. | 2026 Rs. | 2025 Rs. |
| Local revenue | 1,684,018,560 | 1,464,689,558 | 210,610,528 | 199,830,324 |
| Foreign revenue | 243,117,652 | 187,553,464 | — | — |
| | **1,927,136,213** | **1,652,243,022** | **210,610,528** | **199,830,324** |

## 26. OTHER INCOME

| | Group | | Company | |
|---|---|---|---|---|
| | 2026 Rs. | 2025 Rs. | 2026 Rs. | 2025 Rs. |
| Profit on Disposal of Assets | 10,216,102 | 18,432,452 | 131,356 | 5,699,401 |
| Change in fair value of Investment Property | 17,219,000 | 19,941,084 | 11,498,000 | 17,979,135 |
| Rent Income | 3,355,500 | 1,215,000 | 955,500 | 1,015,000 |
| Miscellaneous Income | 5,257,859 | 6,703,009 | 72,105 | 18,947 |
| Gain from Sale & Lease Back | 52,750,000 | — | 52,750,000 | — |
| | **88,798,461** | **46,291,544** | **65,406,961** | **24,712,482** |

## 27. FINANCE COST

| | Group | | Company | |
|---|---|---|---|---|
| | 2026 Rs. | 2025 Rs. | 2026 Rs. | 2025 Rs. |
| Overdraft Interest | 1,024,536 | 850,424 | 1,024,536 | 850,413 |
| Bank Loan Interest | 22,865,782 | 24,991,358 | 13,188,943 | 17,182,510 |
| Leasing Interest | 6,204,105 | 4,207,881 | 5,982,222 | 3,647,617 |
| Bank Charges | 638,277 | 613,318 | — | — |
| Intercompany Bal. Interest | — | — | 3,052,558 | 17,602,370 |
| | **30,732,701** | **30,662,981** | **23,248,259** | **39,282,910** |

# NOTES TO THE FINANCIAL STATEMENTS

## 28. FINANCE INCOME

| | Group | | Company | |
|---|---|---|---|---|
| | 2026<br>Rs. | 2025<br>Rs. | 2026<br>Rs. | 2025<br>Rs. |
| Interest income | 17,400,145 | 31,123,137 | 16,712,346 | 28,731,169 |
| Foreign exchange gain | 35,877,077 | 29,420,208 | — | 807 |
| | **53,277,222** | **60,543,345** | **16,712,346** | **28,731,976** |

## 29. PROFIT BEFORE TAX

| | Group | | Company | |
|---|---|---|---|---|
| | 2026<br>Rs. | 2025<br>Rs. | 2026<br>Rs. | 2025<br>Rs. |
| **Include in cost of sales** | | | | |
| Employees benefits including the following | | | | |
| - Defined contribution plan costs - Salaries, EPF & ETF | 137,614,121 | 96,542,278 | — | — |
| **Included in administrative expenses** | | | | |
| Employees benefits including the following | | | | |
| - Defined contribution plan costs, Salaries, EPF & ETF | 152,462,968 | 137,954,528 | 75,795,263 | 74,917,045 |
| - Other staff cost | 23,955,040 | 27,400,015 | 930,070 | 4,215,921 |
| Auditors' Remuneration | | | | |
| - Statutory Audit | 1,659,500 | 1,659,500 | 900,000 | 900,000 |
| - Non-Audit Services | 1,776,864 | 1,776,864 | 1,176,864 | 1,176,864 |
| Directors' Fee and Emoluments | 12,283,160 | 13,887,320 | 12,283,160 | 13,287,320 |
| Depreciation of property, plant and equipment | 34,769,442 | 27,689,422 | 13,783,878 | 16,358,243 |
| Amortization of intangible assets | 1,794,678 | 1,821,465 | 204,678 | 231,465 |
| Depreciation of right-of-use assets | 21,306,000 | 10,079,330 | 21,306,000 | 8,857,748 |
| Donations | 477,786 | 323,500 | — | 10,000 |
| **Included in selling & distribution expenses** | | | | |
| Employees benefits including the following | | | | |
| - Defined contribution plan costs - Salaries, EPF & ETF | 55,601,873 | 61,521,561 | — | — |
| - Other staff cost | 1,291,876 | 4,359,253 | — | — |
| Allowance for expected credit loss | (1,117,724) | 1,142,746 | — | — |
| Depreciation of right-of-use assets | 1,467,166 | 990,420 | — | — |

# NOTES TO THE FINANCIAL STATEMENTS

## 30. INCOME TAX EXPENSE

| | Group | | Company | |
|---|---|---|---|---|
| | 2026 Rs. | 2025 Rs. | 2026 Rs. | 2025 Rs. |
| **Current income tax** | | | | |
| Current income tax charge (Note 30.1) | 9,162,212 | 7,960,004 | 9,162,212 | 7,939,386 |
| Income tax under provision in respect of previous years | — | 5,565,548 | — | 5,533,281 |
| | **9,162,212** | **13,525,552** | **9,162,212** | **13,472,667** |
| **Deferred tax expense** | | | | |
| Deferred taxation charge/(reversal) (Note 22.1) | 7,938,463 | 18,053,611 | 7,052,744 | 16,199,778 |
| | **17,100,675** | **31,579,163** | **16,214,955** | **29,672,445** |
| **Income tax expense made up as follow;** | | | | |
| Income tax expense reported in the income statement | 15,090,002 | 25,350,667 | 14,376,556 | 24,157,213 |
| Income Tax reversal reported in the other comprehensive income (Note 22.1) | 2,010,673 | 6,228,496 | 1,838,400 | 5,515,232 |
| | **17,100,675** | **31,579,163** | **16,214,955** | **29,672,445** |

# NOTES TO THE FINANCIAL STATEMENTS

### 30.1

A reconciliation between income tax expense and the product of accounting profit multiplied by the statutory tax rate is as follows;

| | Group | | Company | |
|---|---|---|---|---|
| | 2026<br>Rs. | 2025<br>Rs. | 2026<br>Rs. | 2025<br>Rs. |
| Profit before taxation | 27,111,862 | (117,019,024) | 89,849,961 | 48,505,287 |
| Add: Aggregate disallowed items | 92,236,355 | 74,158,846 | 52,276,956 | 16,349,356 |
| Less: Aggregate allowable items | (139,690,444) | (151,196,211) | (128,317,504) | (67,121,191) |
| Add: Other sources of income | 16,712,346 | 66,738,056 | 16,712,346 | 28,731,169 |
| Adjustment for Tax Losses | (2,921,036) | 153,888,577 | — | — |
| **Taxable profit** | **(6,550,916)** | **26,570,244** | **30,521,759** | **26,464,621** |
| **Income tax charged at:** | | | | |
| Income tax @ 30% | 9,156,528 | 7,960,004 | 9,156,528 | 7,939,386 |
| **Current tax expense** | **9,162,212** | **7,960,004** | **9,162,212** | **7,939,386** |

Group tax expense is based on the taxable profit of individual companies within the Group. At present the tax laws of Sri Lanka do not provide for Group taxation.

### 30.2 Applicable Tax Rates

As per the Inland Revenue Act, No. 24 of 2017 and the subsequent amendment thereto, all Group companies which are resident in Sri Lanka are liable to Income Tax at 30% on taxable profit during the period.

| Company | Basis | Income tax rate | |
|---|---|---|---|
| | | 2026 | 2025 |
| Kapruka Holdings PLC | Investment Company | 30% | 30% |
| Kapruka E-Commerce (Pvt) Ltd | Retails | 30% | 30% |
| Kapruka Production (Pvt) Ltd | Manufacturing of goods / Trading | 30% | 30% |
| Kapruka Tech Root (Pvt) Ltd | IT services Company | 30% | 30% |
| Kapruka Ventures (Pvt) Ltd | Retails | 30% | 30% |

### 30.3 Income Tax Rates of Off-Shore Subsidiaries

| Company | Basis | Income tax rate | |
|---|---|---|---|
| | | 2026 | 2025 |
| Kapruka USA LLC | Cross Boarder Operations | 21% | 21% |
| Kapruka Global UK Ltd | Cross Boarder Operations | 19%–25% | 19%–25% |

**30.4** In determining the arm's length price, the Group has complied with the transfer pricing regulations prescribed in the Inland Revenue Act and amendment thereto and the Gazette notifications issued on transfer pricing.

# NOTES TO THE FINANCIAL STATEMENTS

## 31. BASIC / DILUTED EARNINGS PER SHARE

**Basic Earnings per Share**
The calculation of basic earnings per share is based on the profit attributable to Ordinary Shareholders and the weighted average number of shares outstanding during the year.

**Diluted Earnings per Share**
The calculation of diluted earnings per share is based on the profit attributable to Ordinary Shares outstanding after adjustment for the effect of all potentially dilutive Ordinary Shares.

The following reflects the income and share data used in the basic earnings per share computations

| For the year ended 31st March | Group | | Company | |
|---|---|---|---|---|
| | 2026<br>Rs. | 2025<br>Rs. | 2026<br>Rs. | 2025<br>Rs. |
| **Amounts used as the numerator :** | | | | |
| Net profit/(loss) attributable to equity holders of the company | 12,021,861 | (142,369,691) | 75,473,406 | 24,348,074 |
| **Amounts used as the denominator :** | | | | |
| Weighted average number of ordinary shares in issue applicable to basic earnings per share | 164,130,360 | 164,130,360 | 164,130,360 | 164,130,360 |
| **Earnings/(deficit) per share (Rs.)** | **0.07** | **(0.87)** | **0.46** | **0.15** |

# NOTES TO THE FINANCIAL STATEMENTS

## 32. INDUSTRY SEGMENT INFORMATION

| For the year ended 31st March | 2026<br>Rs. | 2025<br>Rs. |
|---|---|---|
| **(a) Segmental revenue** | | |
| E-Commerce | 1,688,719,570 | 1,460,042,097 |
| Cross Border Operations | 243,117,652 | 187,553,464 |
| Production | 194,589,532 | 192,642,638 |
| Web Services | 38,953,002 | 31,289,725 |
| Consolidation revenue adjustments | (238,243,543) | (219,284,903) |
| | **1,927,136,213** | **1,652,243,022** |
| **(b) Segmental expenses** | | |
| E-Commerce | (1,809,263,953) | (1,657,649,964) |
| Cross Border Operations | (249,923,812) | (216,558,571) |
| Production | (185,282,735) | (188,742,131) |
| Web Services | (36,119,288) | (36,111,929) |
| Other Income | 88,798,461 | 46,291,544 |
| Consolidation adjustments | 269,222,456 | 253,628,642 |
| **Profit / (loss) from operating activities** | **4,567,342** | **(146,899,389)** |
| Finance Income | 53,277,222 | 60,543,345 |
| Finance Expense | (30,732,701) | (30,662,981) |
| Net Finance Income | 22,544,521 | 29,880,364 |
| **Profit / (loss) before tax** | **27,111,862** | **(117,019,024)** |
| **(c) Segmental profit / (loss) before tax** | | |
| E-Commerce | 51,485,967 | (67,611,938) |
| Cross Border Operations | (5,686,625) | (25,919,987) |
| Production | (21,502,061) | (19,030,841) |
| Web Services | 2,814,582 | (4,456,258) |

# NOTES TO THE FINANCIAL STATEMENTS

## 33. COMMITMENTS AND CONTINGENCIES

There have been no significant Capital Commitments, Contingent Assets or Contingent Liabilities as at the reporting date which require disclosures in these Financial Statements.

## 34. EVENTS OCCURRING AFTER THE REPORTING DATE

Subsequent to the reporting date, the Board approved the disposal of the Group's land and building to a related party. The transaction was completed on 6 June 2026 for a consideration of approximately Rs. 76.7 million, based on an independent valuation of the property.

As the approval and completion of the transaction occurred subsequent to 31 March 2026, no adjustment has been made to the financial statements for the year ended 31 March 2026.

Other than that mentioned above, no circumstances have arisen since the reporting date, which would require adjustment to or disclosure in the financial statements.

## 35. FINANCIAL INSTRUMENTS

**Financial assets of which carrying values are reasonable approximates at their fair value**

The management assessed that the fair values of cash and short-term deposits, trade and other receivables, and amounts due from related parties approximate their carrying amounts largely due to the short-term maturities of these instruments.

**Financial liabilities of which carrying values are reasonable approximates at their fair value**

The management assessed that the fair values of trade and other payables and interest bearing loans and borrowings approximate their carrying amounts largely due to the short-term maturities of these instruments.

Long term loans and financial leases approximate their carrying amount as majority of the loan portfolio consist of loans obtained at variable interest rates.

## 36. FAIR VALUE MEASUREMENT

### 36.1 Group / Company

As at 31 March 2026, the Group held the following assets measured at fair value in the Statement of Financial Position:

Fair value measurement hierarchy for assets as at 31 March 2025 and 2026:

| | | | Fair value measurement using | | |
|---|---|---|---|---|---|
| Assets measured at fair value | Note | Total Rs. | Quoted prices in active markets (Level 1) | Significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) Rs. |
| **As at 31 March 2026** | | | | | |
| **Non-financial assets** | | | | | |
| Property plant & equipment — Freehold land | 6 | 249,900,000 | — | — | 249,900,000 |
| Investment Properties — Land and buildings | 7 | 221,414,000 | — | — | 221,414,000 |
| **Non-financial assets as at 31 March 2026** | | **471,314,000** | **—** | **—** | **471,314,000** |
| **As at 31 March 2025** | | | | | |
| **Non-financial assets** | | | | | |
| Property plant & equipment — Freehold land | 6 | 239,300,000 | — | — | 239,300,000 |
| Investment Properties — Land and buildings | 7 | 204,195,000 | — | — | 204,195,000 |
| **Non-financial assets as at 31 March 2025** | | **443,495,000** | **—** | **—** | **443,495,000** |

# NOTES TO THE FINANCIAL STATEMENTS

## 37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities comprise loans and borrowings and trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations and to provide guarantees to support its operations. The Group has loans and other receivables, trade and other receivables, and cash and short-term deposits that arrive directly from its operations. The Group is exposed to market risk, credit risk and liquidity risk.

The Group's senior management oversees the management of these risks. The senior management is supported by the Board of Directors (BOD) that advises on financial risks and the appropriate financial risk governance framework for the Group. BOD provides assurance to the Group's senior management that the Group's financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with group policies and group risk appetite. It is the Group's policy that all activities for risk management purposes are required to be approved by Board of Directors of Kapruka Holdings PLC.

The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below.

**37.1 Market risk**
Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise four types of risk: interest rate risk, currency risk, commodity price risk and other price risk, such as equity price risk. Financial instruments affected by market risk include loans and borrowings, deposits and equity investments and investments designated under fair value through profit or loss.

The overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the entity's financial performance

**37.1.1 Interest rate risk.** Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure relates primarily to the Group's long-term debt obligations with floating interest rates. The Group has managed the risk of volatile interest rates by having a balanced portfolio of borrowings at fixed and variable rates.

**37.1.2 Interest rate sensitivity**

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings affected. With all other variables held constant, the Group's profit before tax is affected through the impact on floating rate borrowings, as follows:

| | Increase/decrease in basis points | Company — Effect on profit before tax | Group — Effect on profit before tax |
|---|---|---|---|
| | | Rs. | Rs. |
| 2026 | + 50 | 116,241 | 153,664 |
| | – 50 | (116,241) | (153,664) |
| 2025 | + 50 | 196,415 | 153,315 |
| | – 50 | (196,415) | (153,315) |

The assumed movement in basis points for the interest rate sensitivity analysis is based on the currently observable market environment.

**37.1.3 Foreign currency risk**
Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the import of raw materials, finished goods and packing materials.

The following tables demonstrate the sensitivity to a reasonably possible change in USD exchange rate, with all other variables held constant. The impact on the Group's profit before tax is due to changes in the fair value of monetary assets and liabilities. The Group's exposure to foreign currency risk as at 31 March 2026 and 2025, and sensitivity analysis to profit & loss and equity if exchange rate increased / (decrease) by 15%.

| As at 31 March 2026 | Change in rates | | Company — Effect on profit before tax | | Group — Effect on profit before tax | |
|---|---|---|---|---|---|---|
| | | | Rs. | Rs. | Rs. | Rs. |
| USD | + 15% | – 15% | 463,006 | (463,006) | 21,088,031 | (21,088,031) |

| As at 31 March 2025 | Change in rates | | Company — Effect on profit before tax | | Group — Effect on profit before tax | |
|---|---|---|---|---|---|---|
| | | | Rs. | Rs. | Rs. | Rs. |
| USD | + 15% | – 15% | 50,832 | (50,832) | 11,681,864 | (11,681,864) |

# NOTES TO THE FINANCIAL STATEMENTS

**37.2 Credit risk**

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks, foreign exchange transactions and other financial instruments.

Carrying amount of financial assets represents the maximum credit exposure of those assets. The Group's maximum exposure to credit risk at the reporting date were as follows

| Group | Note | 2026 Rs. | % | 2025 Rs. | % |
|---|---|---|---|---|---|
| Trade and other receivables | 14 | 35,461,378 | 16% | 22,865,277 | 8% |
| Amounts due from related parties | 15.1 | 42,818,744 | 20% | 41,927,883 | 14% |
| **Short term financial assets** | | | | | |
| Investment in Commercial Papers | 17.1 | 91,510,514 | 42% | 159,000,000 | 55% |
| Investment in Fixed Deposits, Sampath Bank PLC | 17.2 | — | 0% | 31,710,519 | 11% |
| Cash at bank and cash equivalents | 18.1 | 46,730,596 | 22% | 36,166,054 | 12% |
| | | **216,521,232** | **100%** | **291,669,734** | **100%** |

**37.2.1 Trade receivables**

Customer credit risk is managed by each company subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of the customer is assessed based on the established credit risk evaluation policy and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored.

Minor receivables are grouped into homogenous groups and assessed for impairment collectively. The calculation is based on actual incurred historical data.

Receivable balances are monitored on an ongoing basis to minimise bad debt risk and to ensure default rates are kept very low, whilst the improved operating environment resulted in improved collections during the financial year although there could be stresses in the ensuing year on account of the macroeconomic uncertainty and related impacts to our customers on account of elevated inflation and interest rates and the possible impact on consumer discretionary spend.

Following table includes the ageing of the trade receivable as at the reporting date

| Group · as at 31st March | As at 31 March 2026 | | | As at 31 March 2025 | | |
|---|---|---|---|---|---|---|
| | Gross Rs. | Impairment Rs. | Net Rs. | Gross Rs. | Impairment Rs. | Net Rs. |
| Not past due | 30,222,069 | — | 30,222,069 | 10,410,668 | — | 10,410,668 |
| Past due 61–120 days | 1,186,888 | — | 1,186,888 | 3,137,916 | — | 3,137,916 |
| Past due more than 121 days | 657,996 | (657,996) | — | 2,154,513 | (2,154,513) | — |
| | **32,066,953** | **(657,996)** | **31,408,957** | **15,703,096** | **(2,154,513)** | **13,548,584** |

**37.2.2 Cash and cash equivalents, money market, short term, and fixed deposits.**

Credit risk from balances with banks is managed in accordance with the Group treasury policy. Investments of surplus funds are made only with approved counterparties as per this policy.

**37.3 Liquidity risk.** The Group monitors its risk to a shortage of funds by setting up a minimum liquidity level. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, and finance leases. The Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. Access to sources of funding is sufficiently available and debt maturing within 12 months can be rolled over with existing lenders.

# NOTES TO THE FINANCIAL STATEMENTS

### 37.3.1 Maturity analysis — Group

The table below summarises the maturity profile of the Group's financial liabilities at 31 March 2026 based on contractual undiscounted payments

**As at 31 March 2026**

| Financial liabilities | Payable on demand<br>Rs. | Less than 3 months<br>Rs. | 3 to 12 months<br>Rs. | 1 to 5 years<br>Rs. | Total<br>Rs. |
|---|---|---|---|---|---|
| Bank loans | — | 17,954,505 | 53,863,515 | 122,405,202 | 194,223,222 |
| Lease liabilities | — | 6,624,227 | 17,214,490 | 43,732,632 | 67,571,350 |
| Bank overdrafts | 351,360 | — | — | — | 351,360 |
| Amounts due to related parties | — | 67,111,141 | — | — | 67,111,141 |
| Trade and other payables | — | 110,060,668 | — | 3,600,000 | 113,660,668 |
| | **351,360** | **201,750,541** | **71,078,005** | **169,737,835** | **442,917,741** |

**As at 31 March 2025**

| Financial liabilities | Payable on demand<br>Rs. | Less than 3 months<br>Rs. | 3 to 12 months<br>Rs. | 1 to 5 years<br>Rs. | Total<br>Rs. |
|---|---|---|---|---|---|
| Bank loans | — | 14,518,468 | 67,632,072 | 171,326,368 | 253,476,908 |
| Lease liabilities | — | 1,574,798 | 4,336,417 | 25,668,340 | 31,579,556 |
| Bank overdrafts | 12,028,275 | — | — | — | 12,028,275 |
| Amounts due to related parties | — | 45,333,827 | — | — | 45,333,827 |
| Trade and other payables | — | 148,849,269 | — | 3,600,000 | 152,449,269 |
| | **12,028,275** | **210,276,363** | **71,968,489** | **200,594,708** | **494,867,834** |

# NOTES TO THE FINANCIAL STATEMENTS

### 37.3.2 Maturity analysis — Company

The table below summarises the maturity profile of the Company's financial liabilities at 31 March 2026 based on contractual undiscounted payments

**As at 31 March 2026**

| Financial liabilities | Payable on demand | Less than 3 months | 3 to 12 months | 1 to 5 years | Total |
|---|---|---|---|---|---|
| | Rs. | Rs. | Rs. | Rs. | Rs. |
| Bank loans | — | 10,944,000 | 32,832,000 | 105,312,185 | 149,088,185 |
| Lease liabilities | — | 6,142,207 | 16,893,144 | 43,732,632 | 66,767,983 |
| Bank overdrafts | 100,783 | — | — | — | 100,783 |
| Amounts due to related parties | — | — | — | — | — |
| Trade and other payables | — | 3,802,296 | — | 2,400,000 | 6,202,296 |
| | **100,783** | **20,888,503** | **49,725,144** | **151,444,817** | **222,159,247** |

**As at 31 March 2025**

| Financial liabilities | Payable on demand | Less than 3 months | 3 to 12 months | 1 to 5 years | Total |
|---|---|---|---|---|---|
| | Rs. | Rs. | Rs. | Rs. | Rs. |
| Bank loans | — | 600,000 | 25,935,000 | 131,865,000 | 158,400,000 |
| Lease liabilities | — | 1,470,833 | 3,816,592 | 25,668,340 | 30,955,765 |
| Bank overdrafts | 980,267 | — | — | — | 980,267 |
| Amounts due to related parties | — | 85,503,826 | — | — | 85,503,826 |
| Trade and other payables | — | 5,241,280 | — | 2,400,000 | 7,641,280 |
| | **980,267** | **92,815,940** | **29,751,592** | **159,933,340** | **283,481,139** |

# NOTES TO THE FINANCIAL STATEMENTS

## 38. CAPITAL MANAGEMENT

Capital includes ordinary shares. The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

| As at 31 March | Group | | Company | |
|---|---|---|---|---|
| | 2026 | 2025 | 2026 | 2025 |
| **Debt / Equity** | **32%** | **37%** | **16%** | **15%** |

# NOTES TO THE FINANCIAL STATEMENTS

## 39. GROUP STRUCTURE

| Company | Percentage Holding | Principal Activity | Directors | Stated Capital Rs. Rs. |
|---|---|---|---|---|
| **Subsidiaries** | | | | |
| Kapruka E-Commerce (Pvt) Ltd | 100% | Providing E-commerce Services | H.P. Dulith Vinodan Herath<br>R.A. Thilangani Herath<br>Anuradha Malimage Herath | 744,045,909 |
| Kapruka Tech Root (Pvt) Ltd | 100% | Registered Internet Service Provider (ISP) / IT service | H.P. Dulith Vinodan Herath<br>R.A. Thilangani Herath | 20 |
| Kapruka Production (Pvt) Ltd | 100% | Manufacture and distribution of cakes, chocolates and baked food products | H.P. Dulith Vinodan Herath<br>R.A. Thilangani Herath<br>Anuradha Malimage Herath | 5,370,000 |
| Kapruka USA LLC | 100% | Proving Global Payment Gateway integration facility & operate the Cross boarder operation | H.P. Dulith Vinodan Herath<br>Anuradha Malimage Herath | 30,118 |
| Kapruka Ventures (Pvt) Ltd | 100% | Trading and distribution of global products | H.P. Dulith Vinodan Herath<br>Anuradha Malimage Herath | 20 |
| Kapruka Global UK Ltd | 100% | Operate the Cross boarder operation in UK | H.P. Dulith Vinodan Herath<br>D.R. Damayanthi Gamage | 365 |
| **Associates** | | | | |
| Kapruka Global Shop (Pvt) Ltd | 25% | Providing E-commerce Services | R.A. Thilangani Herath<br>H.P. Dulith Vinodan Herath | 20 |

# NOTES TO THE FINANCIAL STATEMENTS

## 40. CONTINUOUS DISCLOSURE REGARDING STATUS OF UTILIZATION OF FUNDS VIA IPO PROCEEDS AS AT 31.03.2026

| Objective No | Objective as per Prospectus | Amount Allocated as per Prospectus in Rs. Rs. | Proposed Date of Utilization as per Prospectus | Amount Allocated Upon the Receipt of Proceeds in Rs. (A) Rs. | % of Total Proceeds | IPO Funds Reallocated for Working Capital at AGM / EGM Rs. (B) Rs. | Amount Utilized in Rs. (C) Rs. | % of Utilization Against Allocation (B+C/A) | Remaining Balance Rs. (A-B-C) Rs. | Clarification if not fully utilized including where the fund are invested |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 | Existing Technologies and infrastructure upgrades | 100,000,000 | 1Q 2022- 1Q 2023 | 100,000,000 | 19.78% | (59,065,863) | (40,934,137) | 100% | — | |
| 2 | Launching Kapruka partner central | 200,000,000 | 2Q 2022- 2Q 2024 | 200,000,000 | 39.56% | (110,710,514) | (89,289,486) | 100% | — | |
| 3 | Launching Personal cargo collection and delivery | 50,000,000 | 2Q 2022- 2Q 2024 | 50,000,000 | 9.89% | — | — | 0% | 50,000,000 | Maintaining in company's' deposit accounts and other short term investment accounts with bank and Financial Institutions |
| 4 | Launching Kapruka Wholesale market place | 55,520,400 | 1Q 2023- 1Q 2024 | 55,520,400 | 10.98% | (55,520,400) | — | 100% | — | |
| 5 | Expanding Kapruka Cross border operation | 100,000,000 | 1Q 2022- 1Q 2024 | 100,000,000 | 19.78% | — | (100,000,000) | 100% | — | |
| 6 | Reallocation of funds for working capital purpose | — | — | — | — | 225,296,777 | (225,296,777) | 100% | — | |
| **Total** | | **505,520,400** | | **505,520,400** | | | **(455,520,400)** | **90%** | **50,000,000** | |

SECTION EIGHT

# Supplementary Information.

*Shareholder information, the five-year summary, notice of meeting, form of proxy and corporate information.*

# SHAREHOLDER INFORMATION

## 1. STOCK EXCHANGE LISTING

| | |
|---|---|
| Date of listing on CSE | 2022-01-07 |
| Abbreviation on CSE | KPHL.N0000 |
| Stated capital · No. of ordinary shares | 164,130,360 |
| GICS industry group | Retailing |

## 2. DISTRIBUTION OF SHAREHOLDINGS AS AT 31ST MARCH 2026

| | 2026 | | | 2025 | | |
|---|---|---|---|---|---|---|
| Range | Holders | Shares | % | Holders | Shares | % |
| 1 — 1,000 | 1,589 | 498,616 | 0.30 | 1,256 | 505,685 | 0.31 |
| 1,001 — 10,000 | 846 | 3,175,401 | 1.93 | 1,084 | 4,159,863 | 2.53 |
| 10,001 — 100,000 | 218 | 6,689,223 | 4.08 | 187 | 5,604,941 | 3.41 |
| 100,001 — 1,000,000 | 49 | 11,432,761 | 6.97 | 37 | 10,605,851 | 6.46 |
| 1,000,001 & over | 4 | 142,334,359 | 86.72 | 3 | 143,254,020 | 87.28 |
| **Total** | **2,706** | **164,130,360** | **100.00** | **2,567** | **164,130,360** | **100.00** |

## 3. ANALYSIS OF SHAREHOLDERS AS AT 31ST MARCH 2026

| Category | No. of shareholders | No. of shares | % |
|---|---|---|---|
| Local individuals | 2,593 | 149,625,812 | 91.16 |
| Local institutions | 103 | 14,412,382 | 8.78 |
| Foreign individuals | 10 | 92,166 | 0.06 |
| Foreign institutions | — | — | — |
| **Total** | **2,706** | **164,130,360** | **100.00** |

# SHAREHOLDER INFORMATION

## 4. THE COMPANY HIGHEST, LOWEST AND TRADED MARKET PRICE GIVEN BELOW

| | 2026 | 2025 |
|---|---|---|
| Highest | 36.00 | 10.40 |
| Lowest | 7.10 | 6.00 |
| Last traded | 23.80 | 7.90 |
| **Market capitalisation (Rs.)** | **3,906,302,568** | **1,296,629,844** |

## 5. PUBLIC SHAREHOLDING

| | 2026 | 2025 |
|---|---|---|
| Issued share capital (No.) | 164,130,360 | 164,130,360 |
| No. of transactions | 22,441 | 5,464 |
| No. of shares traded | 65,976,273 | 13,218,080 |
| Value of shares traded (Rs.) | 1,282,975,369 | 109,379,050 |
| Public holdings as % of issued capital | 20% | 20% |
| Total shareholders | 2,706 | 2,567 |
| Shareholders representing the public holding | 2,704 | 2,565 |
| **Float-adjusted market capitalisation (Rs.)** | **758,260,133** | **259,318,401** |

The Company complies with option 5 of the Listing Rules 7.13.1(i)(a) which requires no minimum public holding percentage.

## 6. DIRECTORS' SHAREHOLDING

| Director | 2026 No. of shares | 2025 No. of shares |
|---|---|---|
| Mr. H.P.D.V. Herath (Chairman & CEO) | 131,304,360 | 131,304,360 |
| Ms. A.M. Herath | Nil | Nil |
| Mrs. R.A.T. Herath | Nil | Nil |
| Mr. S.M.T.H. Subasinghe | Nil | Nil |
| Mr. S.D. Subasinghe | Nil | Nil |
| Dr. D.B.S.C. Bandara | Nil | Nil |
| Mr. L. Abeysekera | Nil | Nil |

# SHAREHOLDER INFORMATION

## 7. TOP 20 SHAREHOLDERS

| | | 2026 | | 2025 | |
|---|---|---|---|---|---|
| # | Shareholder | No. of shares | % | No. of shares | % |
| 1 | Mr. H.P.D.V. Herath | 131,304,360 | 80.00 | 131,304,360 | 80.00 |
| 2 | Tranquility Estate (Pvt) Ltd | 8,749,000 | 5.33 | 8,749,000 | 5.33 |
| 3 | Mrs. A.S. De Alwis | 1,279,999 | 0.78 | 3,200,660 | 1.95 |
| 4 | Mr. S.M. Atapattu | 1,001,000 | 0.61 | 319,710 | 0.20 |
| 5 | Bank of Ceylon A/C Ceybank Unit Trust | 812,194 | 0.50 | 958,400 | 0.58 |
| 6 | Bank of Ceylon A/C Ceybank Century Growth Fund | 768,400 | 0.47 | 958,400 | 0.58 |
| 7 | Mr. M.A.N. Mohamed Abdul Nasser | 575,155 | 0.35 | — | — |
| 8 | Mr. G.H.S. Kumara | 543,002 | 0.33 | 292,084 | 0.18 |
| 9 | Seylan Bank PLC / Anuja Chamila Jayasinghe | 451,288 | 0.28 | 87,500 | 0.05 |
| 10 | Mr. V. Sunilgavasker | 420,000 | 0.26 | — | — |
| 11 | Mr. M.M.S.A. Paris | 415,000 | 0.25 | 220,796 | 0.14 |
| 12 | Mr. K.R.T. Bandara | 349,385 | 0.21 | 390,909 | 0.24 |
| 13 | Seylan Bank PLC / Gladstone Capital (Pvt) Ltd | 325,712 | 0.20 | 450,000 | 0.27 |
| 14 | Mr. M.R. Thambinayagam | 300,000 | 0.18 | — | — |
| 15 | Mr. M.M. Tilakarathne | 282,642 | 0.17 | 316,954 | 0.19 |
| 16 | Hello Print Pvt Ltd | 250,000 | 0.15 | — | — |
| 17 | Mr. K.V.D.R. Dharmapriya | 244,000 | 0.15 | 255,000 | 0.16 |
| 18 | Mrs. S.I. Haqque | 240,000 | 0.15 | 4,450 | 0.00 |
| 19 | Mr. L.K.M.A. Kulatunga | 232,221 | 0.14 | — | — |
| 20 | Mr. S. Gurusinghe | 228,423 | 0.14 | 233,316 | 0.14 |
| **Top 20 total** | | **148,771,781** | **90.64** | **147,741,539** | **90.02** |
| Others | | 15,358,579 | 9.36 | 16,388,821 | 9.98 |
| **Total issued** | | **164,130,360** | **100.00** | **164,130,360** | **100.00** |

# FIVE YEAR SUMMARY

Year ended 31 March · in Sri Lankan Rupees

| Year ended 31 March | 2026 | 2025 | 2024 | 2023 | 2022 |
|---|---|---|---|---|---|
| **Operating results** | | | | | |
| Revenue | 1,927,136,213 | 1,652,243,022 | 1,790,746,222 | 1,953,218,800 | 1,687,378,828 |
| Profit / (loss) before taxation | 27,111,862 | (117,019,024) | (109,725,551) | (30,794,616) | 138,923,575 |
| Taxation | (15,090,002) | (25,350,667) | (8,095,634) | (46,517,580) | (9,313,014) |
| **Profit / (loss) after taxation** | **12,021,861** | **(142,369,691)** | **(117,821,185)** | **(77,312,195)** | **129,610,561** |
| Profit attributable to parent | 12,021,861 | (142,369,691) | (117,821,185) | (77,312,195) | 129,610,561 |
| **Equity & liabilities** | | | | | |
| Stated capital | 769,174,795 | 769,174,795 | 769,174,795 | 769,174,795 | 769,174,795 |
| Revaluation reserve | 172,767,263 | 165,347,263 | 146,717,852 | 150,999,424 | 150,999,424 |
| Foreign currency translation reserve | (1,986,800) | 113,847 | 226,154 | — | — |
| Retained earnings | (112,682,488) | (121,975,918) | 23,828,657 | 141,763,392 | 226,221,251 |
| Non-current liabilities | 305,280,493 | 317,137,393 | 295,491,943 | 278,244,059 | 292,594,399 |
| Current liabilities | 353,611,044 | 340,923,786 | 349,153,347 | 333,753,414 | 358,897,368 |
| **Total** | **1,486,164,307** | **1,470,721,166** | **1,584,592,748** | **1,673,935,084** | **1,797,887,237** |
| **Assets** | | | | | |
| Property, plant and equipment | 770,319,741 | 762,314,371 | 887,503,103 | 879,791,531 | 695,356,234 |
| Investment properties | 221,414,000 | 204,195,000 | — | — | — |
| Intangible assets | 11,607,280 | 13,401,958 | 15,223,423 | 17,065,806 | 2,565,068 |
| Right-of-use assets | 62,461,213 | 28,500,907 | 39,570,657 | 52,848,864 | 61,004,601 |
| Deferred tax assets | 10,993,253 | 10,728,391 | 12,674,389 | 12,249,208 | 8,009,043 |
| Other financial assets | 939,806 | — | — | — | 779,582 |
| Current assets | 409,368,819 | 451,580,539 | 629,621,176 | 710,891,617 | 1,028,219,300 |
| **Total** | **1,486,164,307** | **1,470,721,166** | **1,584,592,748** | **1,673,935,084** | **1,797,887,237** |
| **Cash flow** | | | | | |
| Net cash from operating activities | (80,125,845) | (124,818,779) | (90,248,673) | (124,804,216) | (27,217,938) |
| Net cash from investing activities | 95,836,236 | 123,131,660 | 116,545,862 | (10,340,323) | (642,400,979) |
| Net cash from financing activities | (27,245,364) | (59,174,344) | 29,027,969 | 28,234,500 | 574,689,867 |
| Effects of exchange-rate changes on cash | 33,776,430 | 29,307,901 | 36,658,777 | 75,807,579 | 31,983,480 |
| **Increase / (decrease) in cash and cash equivalents** | **22,241,457** | **(31,553,562)** | **91,983,935** | **(31,102,460)** | **(62,945,570)** |

## FIVE YEAR SUMMARY

| Year ended 31 March | 2026 | 2025 | 2024 | 2023 | 2022 |
|---|---|---|---|---|---|
| **Share information** | | | | | |
| Earnings per share (Rs.) | 0.07 | (0.87) | (0.72) | (0.51) | 0.96 |
| Market value per share (Rs.) | 23.80 | 7.90 | 7.00 | 8.30 | 7.00 |
| Market capitalisation at 31 March (Rs.) | 3,906,302,568 | 1,296,629,844 | 1,148,912,520 | 1,362,281,988 | 1,148,912,520 |
| Price-earnings ratio (times) | 324.93 | (9.11) | (9.75) | (16.27) | 7.29 |
| Price-to-book value ratio (times) | 4.72 | 1.60 | 1.22 | 1.28 | 1.00 |
| **Net assets per share (Rs.)** | **5.04** | **4.95** | **5.73** | **6.47** | **6.98** |

# NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Twenty Fourth (24th) Annual General Meeting of the shareholders of KAPRUKA HOLDINGS PLC will be held in terms of Articles 58(1)(iii) of the Articles of Association by means of audio and visual communication on **25th September 2026 at 11.00 a.m.** centered at the Board Room of the company, 147, Old Kottawa Road, Mirihana, Nugegoda for the following purposes.

### 1. Routine Business

**1.1** To receive the Annual Report of the Board of Directors and the Statement of Accounts for the year ended 31st March 2026 together with the Report of the Auditors thereon.

**1.2** To elect as a director, in terms of Article 92 of the Articles of Association, Mr. Suresh Deepal Subasinghe, who retires from the Board by rotation in terms of Article 88(1) of the Articles of Association of the Company.

**1.3** To elect as a director, in terms of Article 92 of the Articles of Association, Mr. Dingiri Bandage Sunil Chamara Bandara who retires from the Board by rotation in terms of Article 88(1) of the Articles of Association of the Company.

**1.4** To propose the following resolution to be approved with or without modification as an ordinary resolution for the re-election of Mrs. Ranasinghe Arachchige Thilangani Herath, as director in terms of Section 211 of the Companies Act No. 07 of 2007, who has reached the age of 75 years as at the date of the Annual General Meeting.

> “That Mrs. Ranasinghe Arachchige Thilangani Herath who has reached the age of 75 years as at the date of the Annual General Meeting be and is hereby re-appointed as a Director for a period of One year and it is hereby declared that the age limit of seventy years referred to in Section 210 of the Companies Act No. 07 of 2007 shall not apply to the appointment of the said Director.”

**1.5** To re-appoint Messrs. Ernst & Young, Chartered Accountants, as the Auditors of the Company for the ensuing year and to authorize the Directors to determine their remuneration.

**1.6** To approve donations made by the Company during the year under review and to authorize the Directors to determine donations for the year ending 31st March 2027 and up to the next Annual General Meeting of the Company.

### 2. SPECIAL BUSINESS

**2.1** To approve the following resolution with or without modification as an ordinary resolution

> IT IS HEREBY RESOLVED, the shareholders having noted the recommendation of the Directors as set out in the Annual Report of the Board of Directors on the state of affairs of the Company, on the variation of the application of funds originally allocated to the objective set out in Clause 3.5.2 of the Prospectus dated 14 December 2021, and the subsequent variation thereof approved by the shareholders at the Annual General Meeting held on 26 September 2022, to launch a marketplace platform for personal cargo collection and delivery, and to reallocate the funds not so utilized amounting to Rs. 50,000,000/- to meet the Working Capital requirements of the Company and thereby, strengthening the Balance Sheet of the company

By order of the Board
**KAPRUKA HOLDINGS PLC**

Director
Kreston Corporate Services (Pvt) Ltd — Secretaries
**31 August 2026**

### Notes

- A shareholder entitled to attend and vote at the above Meeting is entitled to appoint a proxy to attend and vote on his/her behalf.
- A proxy so appointed need not be a member of the Company.
- A Form of Proxy accompanies this Notice.

# FORM OF PROXY

I/We* .................................................................................................. (please indicate full name) holder of NIC/Passport/Company Registration No./s ................................................................................ of (Address of shareholder/s) ................................................................................................ being a shareholder/s* of Kapruka Holdings PLC hereby appoint: Mr/Ms .................................................................... (Please indicate full name) holder of NIC No. ................................................. of .................................................................... or failing him/her.

- Mr. Herath Pathiranalage Dulith Vinodan Herath — or failing him
- Mrs. Anuradha Malimage Herath — or failing her
- Mrs. Ranasinghe Arachchige Thilangani Herath — or failing her
- Mr. Subasinghe Mudiyanselage Tishan Harendranath Subasinghe — or failing him
- Mr. Suresh Deepal Subasinghe — or failing him
- Dr. Dingiri Bandage Sunil Chamara Bandara — or failing him
- Mr. Lakshman Abeysekera

as my/our proxy to represent me/us and to speak and vote on my/our behalf at the Twenty Fourth (24th) Annual General Meeting of the Company to be held on **25th September 2026** and at any adjournment thereof and at every poll which may be taken in consequence of the aforesaid Meeting.

I/We the undersigned hereby authorize my/our proxy to vote on my/our behalf in accordance with the preferences indicated below

| Resolution | For | Against |
|---|---|---|
| 1. To approve item no. 1.2 set out in the Notice of the 24th Annual General Meeting | ☐ | ☐ |
| 2. To approve item no. 1.3 set out in the Notice of the 24th Annual General Meeting | ☐ | ☐ |
| 3. To approve item no. 1.4 set out in the Notice of the 24th Annual General Meeting | ☐ | ☐ |
| 4. To approve item no. 1.5 set out in the Notice of the 24th Annual General Meeting | ☐ | ☐ |
| 5. To approve item no. 1.6 set out in the Notice of the 24th Annual General Meeting | ☐ | ☐ |
| 6. To approve item no. 2.1 set out in the Notice of the 24th Annual General Meeting | ☐ | ☐ |

As witness my/our hand set hereto this .............................. day of ............................................ Two Thousand and Twenty-Six.

.........................................................................

Signature

Note: Instructions as to completion are given below. Please delete the words which are not applicable and mark “X” in the appropriate cages to indicate your instructions as to voting. A proxy need not be a member of the Company.

## INSTRUCTIONS AS TO COMPLETION OF THE FORM OF PROXY

1. Kindly perfect the Form of Proxy by filling in legibly your full name, address and the National Identity Card number, and by signing in the space provided and filling in the date of signature.
2. The completed Form of Proxy should be deposited with the Company Secretaries, Kreston Corporate Services (Pvt) Ltd, No. 74A, 2nd Floor, Advantage Building, Dharmapala Mawatha, Colombo 07, or emailed to **khplc.cs@kreston.lk**, **not less than 48 hours before the time appointed for holding the Meeting, i.e. before 11.00 A.M. on 23rd September 2026.**
3. If the shareholder is a company or a body corporate, the Form of Proxy should be executed under its Common Seal in accordance with its Articles of Association or constitutional documents, or signed by a duly authorised officer, and accompanied by a Form of Corporate Representation where applicable.
4. If the Form of Proxy is signed by an Attorney, the relevant Power of Attorney should accompany the completed Form of Proxy for registration, if such Power of Attorney has not already been registered with the Company.
5. A shareholder who has submitted a Form of Proxy may subsequently attend and vote at the Meeting in person, in which event the Form of Proxy so submitted shall be deemed revoked.
6. Please indicate with an “X” in the cages provided how your proxy is to vote on each resolution. If no indication is given, the proxy in his/her discretion may vote as he/she thinks fit.

**Kreston Corporate Services (Pvt) Ltd**
Secretaries to Kapruka Holdings PLC · No. 74A, 2nd Floor, Advantage Building, Dharmapala Mawatha, Colombo 07 · khplc.cs@kreston.lk

— GLOSSARY

# Glossary of *financial terms.*

Definitions of the principal financial and reporting terms used in this Annual Report.

### Accrual basis
Recognising the effects of transactions and other events when they occur, rather than when cash is received or paid.

### Asset-light revenue
Revenue earned without a corresponding increase in inventory or fixed assets — for Kapruka, marketplace commission and platform-service fees.

### Capital employed
Total equity plus interest-bearing debt.

### Cash conversion cycle
The time taken to convert investment in inventory and other resources back into cash from sales.

### Contingent liability
A possible obligation whose existence depends on the outcome of an uncertain future event.

### Current ratio
Current assets divided by current liabilities — a measure of short-term liquidity.

### Debt-to-equity ratio
Interest-bearing debt expressed as a percentage of total equity.

### Deferred taxation
The tax effect of timing differences between accounting and taxable profits, deferred to future periods.

### Earnings per share (EPS)
Profit attributable to ordinary shareholders divided by the weighted average number of ordinary shares in issue.

### Fair value
The price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date.

### Gross profit margin
Gross profit expressed as a percentage of revenue.

### Interest cover
Earnings before interest and tax divided by finance cost.

### Market capitalisation
The number of ordinary shares in issue multiplied by the market price per share at the reporting date.

### Net assets per share
Total equity attributable to shareholders divided by the number of ordinary shares in issue.

### Operating leverage
The degree to which revenue growth converts into a proportionally greater increase in operating profit, because a share of the cost base is fixed.

### Operating profit
Profit from principal business activities, before finance income, finance cost and taxation.

### Price-earnings ratio (P/E)
Market price per share divided by earnings per share.

### Price-to-book ratio
Market price per share divided by net assets per share.

### Related party transaction
A transfer of resources, services or obligations between the Company and a related party, whether or not a price is charged.

### Return on equity (ROE)
Profit attributable to shareholders expressed as a percentage of closing-equity.

### Scope 1 emissions
Direct greenhouse gas emissions from sources owned or controlled by the Group — principally fleet fuel and generator diesel.

### Scope 2 emissions
Indirect greenhouse gas emissions from the generation of purchased electricity consumed by the Group.

### Scope 3 emissions
All other indirect emissions in the Group's value chain, including purchased goods, packaging and upstream logistics.

### SLFRS / LKAS
Sri Lanka Financial Reporting Standards and Sri Lanka Accounting Standards issued by CA Sri Lanka.

### Take rate
The share of gross merchandise value retained by the platform as commission and service fees.

### Working capital
Current assets less current liabilities.

— INVESTOR FEEDBACK FORM

# Tell us what *you think.*

We are committed to improving the quality and usefulness of our reporting. Your views help us do that. Please complete this form and return it to the Finance Controller at the address below, or e-mail your responses to **chamath@kapruka.com**.

## 1. WHICH STAKEHOLDER GROUP BEST DESCRIBES YOU?

☐ Shareholder / investor ☐ Analyst / institution
☐ Customer ☐ Supplier or partner ☐ Employee
☐ Regulator ☐ Media ☐ Other: .........................

## 2. HOW WOULD YOU RATE THIS REPORT OVERALL?

☐ Excellent ☐ Good ☐ Adequate ☐ Poor

## 3. PLEASE RATE THE FOLLOWING SECTIONS

| Section | Exc. | Good | Adeq. | Poor |
|---|---|---|---|---|
| Chairman's letter & Q&A | ☐ | ☐ | ☐ | ☐ |
| Strategy & value creation | ☐ | ☐ | ☐ | ☐ |
| Management discussion & analysis | ☐ | ☐ | ☐ | ☐ |
| Capital reports | ☐ | ☐ | ☐ | ☐ |
| Governance & risk | ☐ | ☐ | ☐ | ☐ |
| Financial statements & notes | ☐ | ☐ | ☐ | ☐ |
| Sustainability disclosure | ☐ | ☐ | ☐ | ☐ |

## 4. WAS THE INFORMATION YOU SOUGHT EASY TO FIND?

☐ Yes ☐ Partly ☐ No

## 5. WHAT ADDITIONAL INFORMATION WOULD YOU LIKE TO SEE?

## 6. ANY OTHER COMMENTS OR SUGGESTIONS?

## YOUR DETAILS (OPTIONAL)

Name

Organisation

E-mail / contact

Return to

Mr. Chamath De Silva, Finance Controller
Kapruka Holdings PLC, No. 147, Old Kottawa Road, Mirihana, Nugegoda, Sri Lanka
+94 70 351 7699 · chamath@kapruka.com

— CORPORATE INFORMATION

# Corporate information.

## COMPANY NAME

Kapruka Holdings PLC

## LEGAL FORM

The Company was incorporated in Sri Lanka on 7th February 2002 as a Private Limited liability Company under the Companies Act No. 17 of 1982 in the name Lanka Dot Info (Private) Limited. On 7th January 2005, the Company changed its name to Kapruka Dot Com (Private) Limited under the Companies Act No. 17 of 1982 and re-registered under the provisions of Companies Act No. 7 of 2007 on 29th July 2008. The status of the Company was changed from Private Limited to a Public Limited Company under provisions of the Companies Act No. 07 of 2007 on 06th November 2021. The Company changed its name from Kapruka Dot Com Limited to Kapruka Holdings Limited on 20th November 2021. Kapruka Holdings Limited was listed on the main board of Colombo Stock Exchange on the 7th January 2022. The status of the Company was changed from Limited to PLC on 13th April 2022.

## REGISTERED NO.

Old: PV 5789 · New: PQ00247881

## REGISTERED OFFICE

No. 147, Old Kottawa Road, Mirihana, Nugegoda, Sri Lanka
Tel: +94 11 7551111
Email: colombo.office@kapruka.com
Web: www.kapruka.com

## BOARD OF DIRECTORS

Mr. D V Herath — Chairman & CEO
Mrs. A Herath
Mrs. T Herath
Mr. T Subasinghe
Mr. Suresh Subasinghe
Dr. D B S Chamara Bandara
Mr. Lakshman Abeysekera

## BANKERS

Sampath Bank PLC · Hatton National Bank PLC · Commercial Bank PLC · Amana Bank PLC · Nations Trust Bank PLC · Seylan Bank PLC · Bank of America · JPMorgan Chase & Co

## AUDITORS

Ernst & Young, Chartered Accountants
Rotunda Towers, No. 109 Galle Road, Colombo 03

## SECRETARIES

Kreston Corporate Services (Pvt) Ltd
No. 74A, 2nd Floor, Advantage Building, Dharmapala Mawatha, Colombo 07

Kapruka Holdings PLC

*Profitable. Compounding. AI-Native.*

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