THE KANDY HOTELS CO. (1938) PLC

Annual Report | 2025/26

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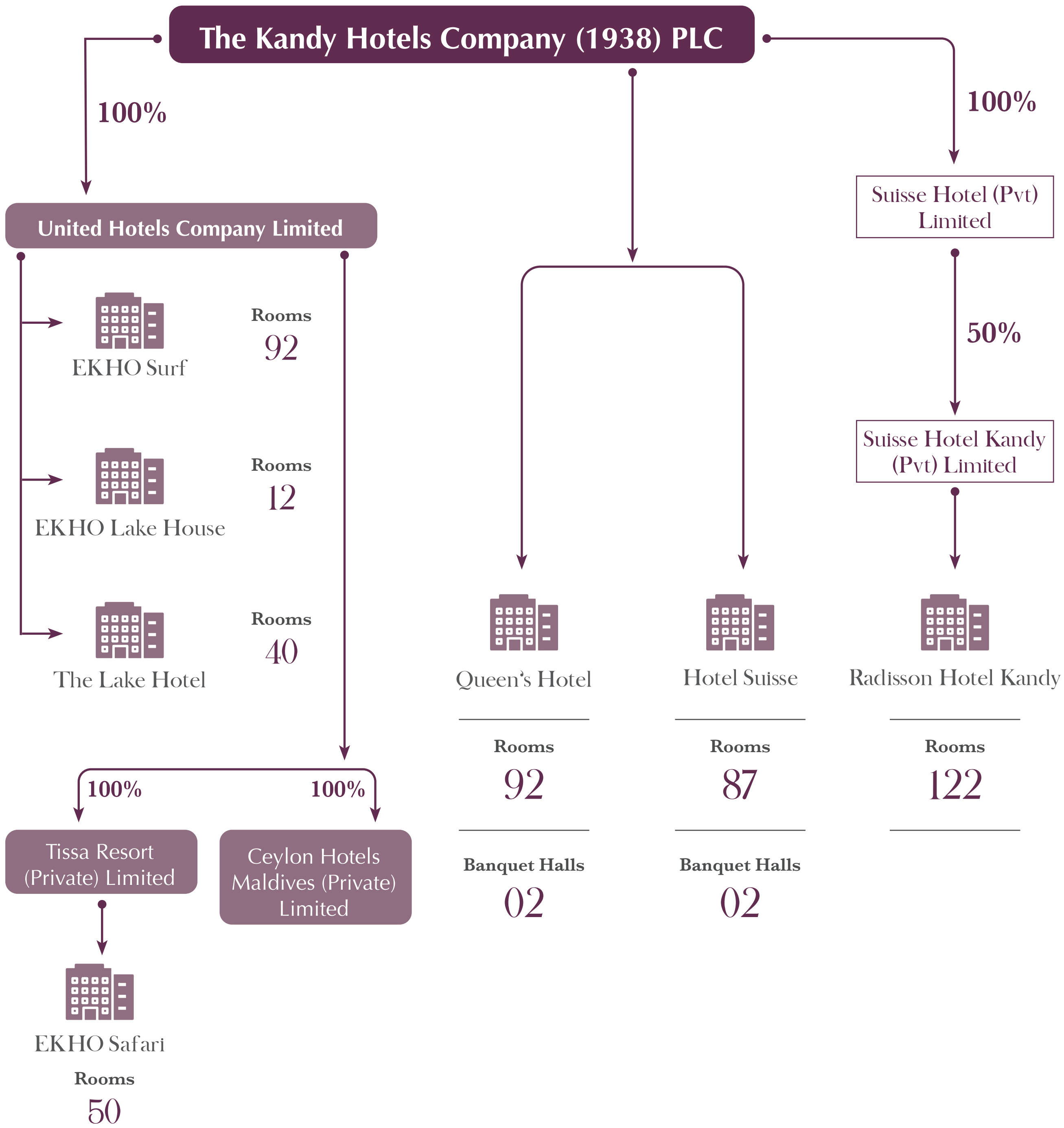
GROUP STRUCTURE



GROUP FINANCIAL HIGHLIGHTS

Performance for the year ended 31 March		2026 Rs.	2025 Rs.	Change
Revenue	Rs. 000	2,215,630	1,506,060	47%
Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA)	Rs. 000	519,100	275,422	88%
Profit before tax(PBT)	Rs. 000	284,643	52,315	444%
Profit after tax(PAT)	Rs. 000	214,733	111,886	92%
Earnings per Share	Rs.	0.28	0.15	92%
Price Earnings Ratio	Times	51.3	77.5	-34%
Financial Position as at 31 March				
Total Assets	Rs. 000	15,579,427	14,701,570	6%
Total Debt	Rs. 000	1,268,046	1,412,402	-10%
Total Equity	Rs. 000	11,136,599	10,063,409	11%
Ordinary Shares Issued	No	754,309,253	754,309,253	0%
Public Share Holding	No	177,562,943	120,469,503	47%
Net Assets per Ordinary Share	Rs.	14.76	13.34	11%
Debt/ Equity Ratio	%	11.39%	14.04%	-19%
Debt/Total Assets	%	8.14%	9.61%	-15%
Market Shareholder Information as at 31 March				
Closing Market Price per Share	Rs.	14.60	11.50	27%
Market Capitalisation	Rs. 000	11,012,915	8,674,556	27%
Float Adjusted Market Capitalisation	Rs. 000	2,592,440	1,385,399	87%

CHAIRMAN'S REVIEW

Dear Shareholder,

It is with great pleasure that I welcome you to the 97th Annual General Meeting of The Kandy Hotels Company (1938) PLC, and to present to you the Annual Report of the Company for the year ended 31st March 2026.

The year under review produced the strongest results the Group has delivered since the acquisition of United Hotels Co. Ltd and its subsidiaries. Consolidated revenue grew 47% to Rs. 2,215 million, from Rs. 1,506 million in the prior year, supported by the return of Hotel Suisse to full operation, improved occupancies, and stronger average room rates across the portfolio. This growth was achieved despite the twin impacts of Cyclone Ditwah and the Middle East crisis, both falling within the Country's peak tourism season. The Central Highlands, where a substantial proportion of our room inventory is located, were among the areas worst affected by Ditwah; road and rail access to the hill country remained disrupted well into December, and the recovery in visitor patronage there was markedly slower than in the rest of the Country. Combined with the later impact of the Middle East crisis, this placed a meaningful dent in what would otherwise have been an even stronger revenue outcome.

Revenue growth translated into an Operating Profit of Rs. 352 million (2025: Rs. 119 million) and a Profit Before Tax of Rs. 285 million (2025: Rs. 52 million), more than a five-fold increase in earnings. Profit Before Tax is stated after a loss of Rs. 44 million from the Company's Joint Venture undertaking, Suisse Hotel Kandy (Pvt) Ltd - the owning company of the Radisson Hotel Kandy compared with a profit of Rs. 8 million in the prior year. The loss arose principally from the Joint Venture's exposure to foreign currency translation on its USD-denominated bank borrowings, raised historically to fund the property's development, amid the depreciation of the LKR against the USD; I address this in more detail under the relevant section below. Much of this translation impact remains unrealised, and the Company's financial statements will continue to carry this exposure, notwithstanding a natural hedge between the property's foreign-currency-denominated revenue receipts and its debt service commitments. Given the continued volatility in the Rupee since the year end, shareholders should expect this translation exposure to remain a feature of the Joint Venture's reported results in the year ahead, irrespective of the strength of its underlying operating performance.

Income Tax Expense of Rs. 70 million for the year was driven primarily by the reduction of Income Tax Assets created in prior years against accumulated tax losses as brought-forward losses were consumed by current year profits, with several business units returning to profitability; a small number of other business units also incurred direct income tax payments. This compares with an Income Tax reversal of Rs. 60 million in the previous year, when tax assets were increased following the recognition of tax losses.

Accordingly, the Group recorded a Net Profit After Tax of Rs. 215 million for the year, compared with Rs. 112 million in the previous year a two-fold increase. Earnings per Share improved to Rs. 0.28 from Rs. 0.15.

The refurbishment of Hotel Suisse was a defining milestone for the Company. The property has been restored and upgraded, blending its rich colonial heritage with modern standards, and aims to position itself as a flagship destination in the hill capital, aligned with the Group's vision to capture the resurgence of both domestic and international tourism into the region. The hotel reopened to the public during the financial year under review and has yet to perform at its envisaged post-refurbishment potential; as with any repositioning of this scale, it will require time to mature.

Revenue at Company level, comprising Queen's Hotel and Hotel Suisse together, rose 75% to Rs. 920 million from Rs. 527 million, and the Company moved from an operating loss of Rs. 3 million last year to an operating profit of Rs. 51 million during the year under review. It remains loss-making at the net line, at Rs. 98 million, after finance costs of Rs. 182 million on intra-Group borrowings raised last year to finance the refurbishment of Hotel Suisse and the investment in our Joint Venture undertaking. Returning the Company to net profitability remains the principal task ahead, and one the Board expects to progress materially as Hotel Suisse's occupancy matures over the coming year. Queen's Hotel again benefited from cultural tourism and the round-tour circuit, although December was constrained by restricted access to the hill country following Cyclone Ditwah.

United Hotels Company Limited and Tissa Resort (Pvt) Limited together contributed approximately Rs. 1295 million of revenue, an increase of about 31.2%, and a combined operating profit of approximately Rs. 284 million against approximately Rs. 120 million in the previous year. The consolidation of United Hotels under this Company in 2023 continues to yield the synergies anticipated at the time.

Our financial position remains robust. Total assets stood at Rs. 15,579 million and total equity at Rs. 11,137 million as at the end of the year under review (2025: Rs. 14,702 million and Rs. 10,063 million respectively), with Net Assets per Share improving to Rs. 14.76 from Rs. 13.34. Total interest-bearing debt, including overdrafts, was reduced by 10% to Rs. 1,268 million from Rs. 1,412 million, and cash and cash equivalents increased to Rs. 403 million from Rs. 315 million. Capital expenditure returned to normal levels at

> **"A five-fold increase in earnings, delivered against a cyclone and a Middle East crisis that both struck within our peak season - not around it."**

Chairman's Review

Rs. 102 million, against Rs. 762 million in the previous year, the major refurbishment cycle now being substantially complete.

SUISSE HOTEL KANDY (PVT) LTD

Our Joint Venture Company, Suisse Hotel Kandy (Pvt) Ltd, recorded a Profit from Operations of Rs. 190 million for the year, compared to Rs. 111 million in the previous year — a 71% increase, driven by higher RevPAR despite the challenges to the peak season.

This strong operating performance did not, however, convert into bottom-line profitability. The Company reported a Loss Before Tax of Rs. 67 million for the year, compared to a profit of Rs. 47 million in the previous year. The loss reflects a foreign exchange loss of Rs. 155 million arising from the revaluation of the Company's USD-denominated bank borrowings, following the sharp depreciation of the LKR against the USD during the latter part of March 2026 . This compares with a foreign exchange gain of Rs. 43 million in the prior year. These translation gains and losses are largely unrealised, arising from the restatement of foreign currency liabilities into the Company's LKR-denominated financial statements; a natural hedge exists between the Company's foreign-currency debt service commitments and the portion of accommodation revenue received in foreign currency, though the financial statements will continue to reflect this translation exposure as it arises.

As outlined in last year's review, the Group increased its investment in Suisse Hotel Kandy (Pvt) Ltd, committing Rs. 292.5 million alongside a complete restructuring of the Company's debt, to strengthen its balance sheet following the stresses built up during the COVID-19 pandemic and the subsequent economic crisis.

INDUSTRY PERFORMANCE AND ECONOMIC CONTEXT

The Sri Lankan economy sustained its recovery during the financial year 2025/26. The Central Bank of Sri Lanka reported GDP growth of 5.0% for 2025, achieved despite the disruption caused by Cyclone Ditwah in the fourth quarter, with projections indicating continued expansion of 4% to 5% in 2026. The Overnight Policy Rate was held at 7.75% at every review during the year, and headline inflation remained subdued at 2.2% in March 2026. Conditions changed in the closing weeks of the year: following the escalation of the conflict in the Middle East from late February 2026, the Rupee came under sustained pressure, depreciating 7.8% year to date by end-July 2026.

Cyclone Ditwah made landfall on 28th November 2025, causing flooding and landslides across all 25 districts. The Central Highlands, where this Company has a significant room inventory, were among the worst affected areas, and road access to the hill country remained disrupted well into December, through what is normally our strongest quarter.

Sri Lanka recorded its highest ever annual arrivals in calendar 2025, welcoming 2,362,521 visitors, an increase of 15.1%, ahead of the 2018 benchmark for the first time. On a financial year basis, arrivals for the twelve months ended 31st March 2026 were 2,380,879, an increase of 11.3%. The round-tour circuit that is vital to Kandy strengthened through most of the year, and our properties benefited accordingly. Tourism earnings, however, grew only marginally, from USD 3.17 billion to a little over USD 3.2 billion, as average visitor spend continued to fall; the industry's shift from a model based on volume to one that delivers both volume and value has still not been made.

Internationally, 2025 was a record year, with UN Tourism estimating 1.52 billion international arrivals and receipts of approximately USD 1.9 trillion. That momentum has since slowed. Arrivals in the first quarter of 2026 grew 2%, with growth falling to 0.4% in March as the conflict took hold, and UN Tourism has reduced its forecast for the year. The IMF's April 2026 World Economic Outlook lowered global growth for 2026 to 3.1%, from a pre-conflict expectation of 3.4%.

The effect on Sri Lanka has been direct. Arrivals in March 2026 fell 19.8%, breaking a run of eleven months of growth, as the Gulf transit hubs through which roughly 30% of our visitors travel were disrupted. April fell 22.3% and June fell 9.9%, and arrivals for the seven months to 31st July 2026 were marginally below the same period of 2025.

LOOKING AHEAD

We enter the new financial year with confidence that our refurbishment and reinvestment programme will position the Group to capitalise on the continued growth of the tourism market and to drive long-term profitability. The completion of the Hotel Suisse refurbishment, together with a portfolio of just over 300 rooms in the City of Kandy including the Radisson Hotel Kandy, positions us to capture the full potential of Kandy's tourism at its optimum. Our priorities for the year ahead are threefold: to bring Hotel Suisse to its targeted occupancy and rate levels, to return the Company to net profitability at the standalone level, and to complete the Board's assessment of the Company's return to the Main Board. We will pursue these while managing our financial resources carefully and remaining alert to the continuing volatility in both the Rupee and international travel demand arising from the situation in the Middle East. By remaining disciplined in our investment strategy and responsive to market conditions, we are confident in our ability to deliver sustained value to shareholders over the long term.

I wish to extend my sincere appreciation to my fellow Board members for their strategic guidance. I thank our associates across the Group for their dedication and cooperation, and particularly those who kept our hotels open and our guests safe through Cyclone Ditwah while dealing with its consequences on their own home fronts. I would also like to thank our valued guests, travel agents, suppliers, bankers, auditors, and secretaries for their continued support and partnership.

Finally, I would like to thank all shareholders for their continued support and confidence in our strategic direction.

(Sgd.)
Sanjeev Gardiner
Chairman

The Kandy Hotels Company (1938) PLC

PROFILE OF DIRECTORS

MR. SANJEEV GARDINER
(Chairman)

Mr. Sanjeev Gardiner was appointed to the Board of The Kandy Hotels Co. (1938) PLC in September 2005.

He is the Chairman and Chief Executive Officer of the Gardiner Group of Companies which includes the Galle Face Hotel Co Limited, Galle Face Hotel 1994 (Pvt) Ltd, Ceylon Hotels Holdings (Pvt) Ltd (holding Co of Ceylon Hotels Corporation Group), and United Hotels Co Limited which owns the The Surf (Bentota), Ekho Safari (Tissa) and Ekho Lake House – (Polonnaruwa). He is also the Chairman of Ambeon Capital PLC, Ambeon Holdings PLC, and Millennium I.T. E.S.P. (Pvt) Ltd He is also a Director of Cargills (Ceylon) PLC since 1994 and has been a senior Director of Ceylon Hotels Corporation PLC since 1996.

Mr. Gardiner counts over 31 years of management experience in a diverse array of business. He holds a Bachelor's Degree in Business from the Royal Melbourne Institute of Technology, Australia and a Bachelor's Degree in Business (Banking and Finance) from Monash University, Australia. In addition to his work in the corporate sector, Mr. Gardiner is also a Director and Council member of Helpage Sri Lanka and a member of many other charitable institutions.

MR. PRADEEP NILANGA DELA

Mr. Nilanga Dela was appointed to the Board of The Kandy Hotels Company (1938) PLC in July 2006 and has served as a Non-Executive Director of the Company for 20 years.

He is the present Diyawadana Nilame or Chief Custodian of Sri Dalada Maligawa and 19th Diyawadana Nilame.

The highlights of his career include aiding and supporting numerous temples and Damma schools around the island that are in need.

Mr. Nilanga Dela has been awarded several titles in recognition of his religious and social services, among them are the "Nalanda Keerthi Sri" by Nalanda College, Colombo, "Buddha Sasana Bandu" by the Syamopali Maha Nikaya and the "Sabaragamu Sarasavi Abhiramya" by the Sabaragamu University.

MR. PRIYANTHA MADDUMAGE

Mr. Maddumage was appointed to the Board of The Kandy Hotels Co. (1938) PLC in September 2005.

Mr. Maddumage holds a Bachelor of Commerce Special Degree from the University of Sri Jayawardenapura and a Master of Business Management from Edith Cowan University in Australia and counts over 30 years of Finance Management experience.

He is a Member of the Chartered Institute of Australia and New Zealand and also a Member of the Institute of Chartered Accountant of Sri Lanka and a Member of CPA Australia and a Fellow Member of CMA Sri Lanka.

Mr. Maddumage serves as a Director in all subsidiary Companies of The Kandy Hotels Co. (1938) PLC. Currently, Mr. Maddumage is the Group Chief Investment Officer of the Galle Face Group of Companies.

MR. SHALIKE KARUNASENA

Mr. Shalike Karunasena presently serves as a Director and as the Group Chief Financial Officer of the Gardiner Group of Companies. Mr. Karunasena is also a Board member and serves as the Chairman of the Board Audit Committee of Dankotuwa Porcelain PLC.

Mr. Karunasena has over 27 years of experience in Financial Management, Treasury and Strategy in the fields of Commodities Trading, Overseas Plantations, Refining & Manufacturing and Leisure/ Hospitality with nearly 20 years of Senior Management experience, functioning within the South- East Asian Region. He is a fellow member of the Chartered Institute of Management Accountants, UK.

Profile of Directors

MR. INDRAJITH FERNANDO

Mr. Indrajith Fernando is a thought leader with over 40 years of experience in business and the accountancy profession. He is a Past President of the Institute of Chartered Accountants of Sri Lanka (ICA), Member of International Federation of Accountant (IFAC) Developing Nations Committee, President–South Asian Federation of Accountants, Advisor/ Chairman SAFA Committee on improving Transparency, Accountability and Governance (CiTAG). He is a fellow member of the ICA-SL, CIMA UK and CMA Sri Lanka and a Senior Member of CPA-Maldives. He holds an MBA from the University of Queensland, Australia.

Mr. Fernando serves as a Chartered Institute of Securities Investments (CISI) Advisory Committee member in Sri Lanka and as a Non-Executive Director, Chairman of the Audit Committee and the Integrated Risk Management Committee of listed companies. He serves as an Independent non-executive Director of the Board of Lanka Rating Company Ltd (LRA), Kerner Haus Global Solutions Plc, The Kandy Hotels Company (1938) PLC and Hatton Plantations PLC. He is a Director of Strategic Insurance Brokers (Pvt) Ltd., Beyond Wealth (Pvt) Ltd and Connect Global Partners (Pvt) Ltd.

MR. NIRMAL DE SOYSA COOKE

Mr. Nirmal Cooke is a Sri Lankan–British business leader with nearly two decades of experience in infrastructure, energy, and cross-border investment advisory. He currently serves as an Executive Board Director of the Commonwealth Enterprise and Investment Council (CWEIC) and Chair of the Sri Lanka Hub. He is also a Senior Advisor at Singapore-based Private Equity Investment Advisory Plus94, focusing on unlocking value in Sri Lanka's emerging sectors.

He is also a Senior Advisor of LPO Solutions, a legal process outsourcing venture launched during Sri Lanka's economic crisis to deliver technology-enabled legal services globally. He introduced the UK's Quintessentially Group to Sri Lanka and the Maldives, later leading its expansion into Malaysia, positioning luxury tourism as a driver of investment and high-end service delivery.

Educated in the UK, Mr. Cooke holds a BA (Hons) in International Business from Regent's Business School London and is a graduate member of the Sri Lanka Institute of Directors. His vision is to help transform Sri Lanka into a competitive, value-adding economy integrated into regional and global supply chains.

MANAGEMENT DISCUSSION AND ANALYSIS

EXECUTIVE SUMMARY

Kandy Hotels Co (1938) PLC ("the Company" or "KHC") and its subsidiaries ("the Group") delivered the strongest financial performance in the Group's post-crisis history during FY 2025/26, lifting consolidated net profit to Rs. 214.73 million from Rs. 111.89 million in the prior year, an increase of 92%. The result reflects the full-year contribution of Hotel Suisse following its return to inventory after a comprehensive refurbishment, sustained rate and occupancy gains across the subsidiary portfolio, and operating leverage on a largely fixed cost base.

Consolidated revenue grew 47% year-on-year to Rs. 2,215.63 million and operating profit almost trebled to Rs. 352.07 million from Rs. 118.7 million. This was achieved notwithstanding two significant external disruptions within the year: Cyclone Ditwah, which struck in late November 2025 and severely affected access to the Central Highlands during the peak season; and the outbreak of conflict in the Middle East from late February 2026, which curtailed arrivals in the final month of the financial year.

The benefit of the operational improvement was partly offset below the operating line by the Group's share of joint venture results, which swung to a loss of Rs. 44.06 million from a profit of Rs. 8.39 million, principally reflecting exchange losses on US Dollar denominated borrowings at Suisse Hotel Kandy (Pvt) Ltd as the Sri Lankan Rupee depreciated in the closing weeks of the year.

MACROECONOMIC ENVIRONMENT

Economic performance and stabilisation

The Sri Lankan economy sustained its recovery through FY 2025/26. The Central Bank of Sri Lanka reported GDP growth of 5.0% for calendar 2025, achieved despite the disruption caused by Cyclone Ditwah in the fourth quarter, and forecasts growth of 4% to 5% in 2026, with the Government targeting up to 6% supported by record public capital expenditure on post-cyclone reconstruction.

Monetary conditions were accommodative throughout the year. The Overnight Policy Rate was held at 7.75% at every review, and headline inflation, having been in deflation for eleven consecutive months to July 2025, returned to positive territory in August 2025 and remained subdued thereafter at 1.6% in February 2026 and 2.2% in March 2026. For a capital-intensive, largely domestically funded hospitality group, this combination of low policy rates and price stability provided a favourable operating backdrop for the greater part of the year.

The external position deteriorated in the final quarter. Following the escalation of the Middle East conflict from late February 2026, the Sri Lankan Rupee — which had traded near Rs. 300 to the US Dollar at the start of calendar 2026 — came under sustained pressure, depreciating by 5.4% year-to-date by end-May 2026 and 7.8% by end-July 2026. Fuel import expenditure rose 149.9% year-on-year to USD 886 million in April 2026. The Central Bank has characterised the depreciation as externally driven and consistent with movements in peer regional currencies.

Cyclone Ditwah

Cyclone Ditwah made landfall on 28 November 2025, causing flooding and landslides across all 25 districts and resulting in more than 600 deaths. The World Bank's Global Rapid Post-Disaster Damage Estimation assessed direct physical damage at approximately USD 4.1 billion, equivalent to about 4% of GDP. The Ministry of Tourism reported that 4,289 foreign guests were affected. The Central Highlands — the location of the Group's principal properties — were among the worst affected areas, with road access disrupted well into December and further heavy rainfall between 19 and 23 December 2025 triggering additional landslides and road closures.

Notwithstanding this, arrivals in November and December 2025 grew 15.6% and 4.2% respectively, and December 2025 recorded 258,928 visitors, the highest monthly total in Sri Lanka's history. The Government secured emergency financing including an IMF Rapid Financing Instrument disbursement of SDR 150.5 million (approximately USD 205 million) to meet reconstruction needs while preserving the Extended Fund Facility framework.

Kandy Hotels Co (1938) PLC ("the Group") delivered the strongest financial performance in the Group's post-crisis history during FY 2025/26.

INDUSTRY ANALYSIS: GLOBAL AND DOMESTIC TOURISM

Global tourism industry - calendar 2025

International tourism set a new post-pandemic record in 2025. UN Tourism estimates that 1.52 billion international overnight visitors travelled worldwide, an increase of 4% and almost 60 million more than in 2024. This represents a return to the pre-pandemic long-term trend, where arrivals grew at an average of about 5% per year between 2009 and 2019. International tourism receipts are estimated at approximately USD 1.9 trillion, a real-terms increase of 5% to 6% over 2024, confirming that value growth continued to outpace volume growth.

By region, Europe remained the largest destination market with 793 million arrivals, up 4% and 6% above 2019 levels. Asia and the Pacific recorded 331 million arrivals, up 6%, but remained 9% below pre-pandemic volumes and therefore continues to offer the greatest incremental recovery potential. The Americas grew 1% to 218 million, while Africa delivered the strongest relative growth at 8%. Growth in demand held up through the year despite persistent inflation in tourism services and geopolitical uncertainty, though it softened somewhat towards the fourth quarter.

Global tourism industry - January to June 2026

The environment changed materially in the first half of calendar 2026. UN Tourism reported 307 million international arrivals in the first quarter of 2026, an increase of 2% and about 6 million more than the corresponding period of 2025. Demand held up in January and February, with cumulative growth of 2.5%, before the outbreak of the Middle East conflict reduced March growth to 0.4%.

UN Tourism has since indicated that the conflict is likely to reduce growth in international arrivals for 2026 by one to two percentage points below its original forecast of 3% to 4%, depending on the duration and scope of hostilities. Beyond disruption to flights within and around the Middle East, the wider transmission channels are reduced traveller confidence, higher airfares and constrained airline capacity arising from the spike in oil prices and jet fuel supply pressures, collectively encouraging a shift in demand towards shorter-haul destinations.

Regional performance in the first quarter of 2026 diverged sharply. Europe recorded more than 130 million arrivals, up 4%, with Southern Mediterranean and Northern Europe each up 4% and Central and Eastern Europe up 6%. Africa grew 4% and the Americas 2%, while arrivals in the Middle East fell 14%. The UN Tourism Confidence Index for the May to August 2026 period scored 105 out of 200, down from 117 earlier in the year, with 39% of surveyed experts anticipating improved performance, 28% similar outcomes and 31% weaker results.

The wider macroeconomic backdrop reflects the same shock. The IMF's April 2026 World Economic Outlook projected global growth of 3.1% for 2026, revised down from a pre-conflict expectation of 3.4%, with global headline inflation revised up to 4.4%. The IMF set out adverse and severe scenarios in which growth falls to 2.5% and 2.0% respectively. Brent crude, trading at approximately USD 71 per barrel on 27 February 2026, exceeded USD 120 by early March following the closure of the Strait of Hormuz, an event the International Energy Agency described as the largest supply disruption in the history of the global oil market.

Sri Lankan tourism industry - calendar 2025

Sri Lanka recorded its highest ever annual tourist arrivals in calendar 2025, welcoming 2,362,521 visitors, an increase of 15.1% over 2024 and 1.2% above the previous benchmark of 2,333,796 set in 2018. December 2025 was the single busiest month on record with 258,928 arrivals.

Tourism earnings, however, grew only marginally, estimated at just over USD 3.2 billion against USD 3.17 billion in 2024. The divergence between arrivals growth of 15.1% and effectively flat earnings reflects a continued decline in average visitor spend; the SLTDA revised its estimated per-day tourist spend down to USD 148 in November 2025. Closing the gap between volume and value remains the central structural challenge for the industry, and it bears directly on the Group's ability to drive average room rates.

India remained the largest source market with 531,511 arrivals, followed by the United Kingdom (212,277), the Russian Federation (186,580), Germany (147,966) and China (132,035). Against the 2018 benchmark, several traditional Western markets remained materially below pre-crisis levels, with the United Kingdom down 16.5%, while emerging markets in Eastern Europe and South Asia recorded strong growth, indicating an ongoing recomposition of the source market portfolio.

Tourist Arrivals Analysis - April 2025 to March 2026 (FY)

Month	FY 2024/25 Arrivals	FY 2025/26 Arrivals	Growth (%)
April 2025	148,867	174,608	17.3
May 2025	112,128	132,919	18.5
June 2025	113,470	138,241	21.8
July 2025	187,810	200,244	6.6
August 2025	164,609	198,235	20.4
September 2025	122,140	158,971	30.2
October 2025	135,907	165,193	21.5
November 2025	184,158	212,906	15.6
December 2025	248,592	258,928	4.2
January 2026	252,761	277,327	9.7
February 2026	240,217	279,328	16.3
March 2026	229,298	183,979	(19.8)
Total	2,139,957	2,380,879	11.3

Source: Sri Lanka Tourism Development Authority

The shape of the year is as important as the total. The first eleven months delivered uninterrupted double-digit or high single-digit growth, with September 2025 the strongest month at 30.2%. Growth moderated in December 2025 to 4.2%, reflecting the aftermath of Cyclone Ditwah and constrained access to the hill country during the peak season, before recovering strongly in January and February 2026 to record monthly highs of 277,327 and 279,328 arrivals.

March 2026 broke the trend decisively, falling 19.8% year-on-year to 183,979 arrivals and 21.2% below the 2018 comparative. This reversal is attributable to the escalation of the Middle East conflict from late February 2026 and its effect on aviation through the Gulf transit hubs on which Sri Lanka depends heavily. Approximately 30% of visitors to Sri Lanka transit through major Middle Eastern aviation hubs, and the resulting flight disruptions, capacity reductions and fare increases translated rapidly into cancelled and deferred bookings. The Group therefore entered FY 2026/27 with materially weaker forward demand than the full-year arrivals figure alone would suggest.

Tourist arrival analysis - April to June 2026 (post balance sheet)

Performance in the first quarter of the current financial year has been mixed and, on balance, weaker than the corresponding period of 2025.

Month (2026)	2025 Arrivals	2026 Arrivals	Growth (%)
April	174,608	135,643	(22.3)
May	132,919	145,745	9.6
June	138,241	124,551	(9.9)
Total	445,768	405,939	(8.9)

Source: Sri Lanka Tourism Development Authority. June 2026 as reported in the SLTDA Monthly Tourist Arrivals Report, June 2026.

Arrivals for the three months ended 30 June 2026 totalled 405,939, a decline of 8.9% against the 445,768 recorded in the same period of 2025. April 2026 was the most severe monthly contraction of the cycle at 22.3%, deviating sharply from Sri Lanka's normal seasonal pattern in which demand tapers gradually after the winter peak. May 2026 recovered 9.6%, indicating temporary stabilisation, before June 2026 declined again by 9.9%.

Cumulative arrivals for the first half of calendar 2026 were 1,146,573, marginally below both 2025 (1,168,044) and 2018 (1,164,647), representing deficits of 1.8% and 1.6% respectively. These headline gaps understate the volatility within the period, in which strong January and February performance was effectively cancelled out by steep losses in March and April.

Earnings have deteriorated further than volumes. Cumulative tourism earnings for the first half of 2026 fell 11.8% to USD 1,511 million, with April 2026 earnings down 38.8% and June 2026 down 10.8%. Average duration of stay also contracted across almost all long-haul markets in May 2026 — Germany fell from 11.99 nights in April to 7.50 nights — before recovering in June as the Gulf conflict de-escalated. This combination of fewer visitors, shorter stays and lower spend is the most adverse configuration for a hill-country resort operator, since it compresses room nights and food and beverage capture simultaneously.

The composition of demand also shifted. For the first half of 2026, India grew 21.4% to 293,683 arrivals and China recovered 15.8% to 76,171, while the Russian Federation collapsed 31.1% to 77,349, Germany fell 6.5%, France 13.8% and the United States 4.2%. The Group's exposure is concentrated in exactly the long-haul European segment that weakened, and the growth is concentrated in the Indian market, which records the shortest average stay of any major source market at approximately five nights.

FINANCIAL PERFORMANCE ANALYSIS

Consolidated revenue performance

The Group achieved revenue of Rs. 2,215.63 million in FY 2025/26, an increase of 47% over Rs. 1,506.06 million in the prior year. This expansion primarily reflects:

- The return of Hotel Suisse to full inventory following completion of the refurbishment programme, having been withdrawn from June 2024
- Improved occupancy across the Group's portfolio, with strong arrivals growth in eleven of the twelve months of the financial year
- Higher average room rates achieved on a repositioned and upgraded product
- A full-year contribution from the renovated Surf Hotel of UHC, which relaunched during the prior financial year

The Company's standalone revenue increased by 74.6% to Rs. 920.30 million (FY 2025: Rs. 527.15 million), reversing the 11.4% decline recorded in the prior year, when Hotel Suisse was out of inventory. During the period under review, room revenue contributed Rs. 471.8 million (51.3%) and food and beverage revenue Rs. 396.0 million (43.0%) of total revenue. Queen's Hotel contributed Rs. 560.6 million (60.9%), while Hotel Suisse contributed Rs. 359.7 million (39.1%), reflecting the stronger overall contribution of Queen's Hotel.

The subsidiary cluster comprising United Hotels Company Limited (UHC) and Tissa Resort (Pvt) Ltd (TRL) contributed approximately Rs. 1,295.33 million on a consolidated basis, an increase of about 31.2% over the approximately Rs. 987.24 million contributed in FY 2024/25.

Profitability and operational efficiency

Gross profit rose 52% to Rs. 1,715.76 million and the gross profit margin improved to 77.4% from 75%, confirming that incremental revenue was secured on improving margin rather than through discounting. Selling and marketing expenses increased 88.2% to Rs. 158.21 million, reflecting deliberate investment in reopening and repositioning Hotel Suisse and in rebuilding distribution channels. Administrative expenses rose 27.8% to Rs. 1,203.18 million, well below the rate of revenue growth.

Operating profit accordingly increased 196.6% to Rs. 352.07 million from Rs. 118.70 million. At Company level, operating performance moved from a loss of Rs. 3.01 million to a profit of Rs. 50.08 million. The UHC and TRL cluster increased combined operating profit to approximately Rs. 283.92 million from approximately Rs. 120.46 million.

Net finance costs reduced to Rs. 57.47 million from Rs. 59.65 million, assisted by finance income of Rs. 171.99 million (FY 2025: Rs. 150.64 million) and a net foreign exchange gain of Rs. 34.11 million against a loss of Rs. 15.13 million in the prior year, arising on the Group's net US Dollar cash position as the Rupee weakened. Finance costs increased 9.12% to Rs. 229.47 million.

The Group's share of results of its equity-accounted joint venture, Suisse Hotel Kandy (Pvt) Limited, the owning company of Radisson Hotel Kandy, recorded a loss of Rs. 44.06 million against a profit of Rs. 8.39 million in the prior year, a negative swing of Rs. 52.5 million. This reverses the pattern of the two preceding years, in which an appreciating Rupee generated exchange gains on the joint venture's US Dollar denominated borrowings.

Profit before tax was Rs. 284.64 million against Rs. 52.32 million. After a tax charge of Rs. 69.91 million, compared with a net reversal of Rs. 59.57 million in the prior year which flattered that comparative, net profit was Rs. 214.73 million against Rs. 111.89 million. Earnings per share improved to Rs. 0.28 from Rs. 0.15.

At Company level, the loss for the year widened marginally to Rs. 97.8 million from Rs. 89.93 million, notwithstanding the return to operating profit, as finance costs increased to Rs. 182.29 million from Rs. 125.84 million on borrowings raised to fund the refurbishment. Returning the Company to profitability at the net line remains the principal unfinished item of the refurbishment cycle.

BALANCE SHEET POSITION AND CAPITAL MANAGEMENT

Asset base and financial position

Total Group assets increased by 6.2% to Rs. 15,579.43 million (FY 2025: Rs. 14,701.57 million), no revaluation of freehold land and buildings having been carried out during the year. Total equity strengthened 10.7% to Rs. 11,136.6 million (FY 2025: Rs. 10,063.41 million) and net assets per share improved to Rs. 14.76 from Rs. 13.34.

Capital investment programme

Capital expenditure normalised sharply following completion of the Hotel Suisse project, with additions to property, plant and equipment of Rs. 101.2 million during the year against Rs. 761.92 million in the prior year. The carrying value of property, plant and equipment stood at Rs. 12,193.46 million (FY 2025: Rs. 12,252.34 million). The Group's investment in the Suisse Hotel Kandy (Pvt) Ltd joint venture was carried at Rs. 1,396.3 million (FY 2025: Rs. 582.52 million), the net increase reflecting the Group's share of land and building revaluation gains of Rs. 857.84 million, which was partially offset by its share of losses recognised during the year amounting to Rs. 44.06 million.

Liquidity and cash management

Cash and cash equivalents increased to Rs. 402.67 million from Rs. 314.58 million. Net cash generated from operating activities was Rs. 263.6 million, below the Rs. 380.57 million of the prior year notwithstanding substantially stronger trading. The variance is principally attributable to working capital movements, in particular the unwinding of trade and other payables that had accumulated during the refurbishment programme, together with interest paid of Rs. 223.84 million. Improving the conversion of operating profit into operating cash flow is a management priority for the current year.

Debt management and capital structure

The Group continued to reduce leverage, with total interest-bearing borrowings including bank overdrafts falling 10.2% to Rs. 1,268.05 million (FY 2025: Rs. 1,412.40 million). Rs. 268.03 million of loans were repaid during the year against Rs. 200.00 million of new facilities drawn. The reduction in the interest burden supports continued improvement in profitability and preserves financial flexibility at a time of heightened demand uncertainty.

KEY PERFORMANCE INDICATORS

Metric	2025/26	2024/25	Growth (%)
Group Revenue (Rs. million)	2,215.63	1,506.06	+47.1%
Operating Profit (Rs. million)	352.07	118.70	+196.6%
Profit Before Tax (Rs. million)	284.64	52.32	+444%
Net Profit (Rs. million)	214.73	111.89	+92%

Metric	2025/26	2024/25	Growth (%)
Gross Profit Margin	77.4%	75.0%	+2.4pp
Earnings per Share (Rs.)	0.28	0.15	+92%
Net Assets per Share (Rs.)	14.76	13.34	+11%
Total Assets (Rs. million)	15,579.43	14,701.57	+6%
Total Equity (Rs. million)	11,136.60	10,063.41	+11%
Total Debt incl. overdrafts (Rs. million)	1,268.05	1,412.40	(10%)

SHARE INFORMATION

The Company's share closed the financial year at Rs. 14.60 against Rs. 11.50 twelve months earlier, an increase of 27%, having traded between a high of Rs. 24.00 and a low of Rs. 10.00 during the year. Market capitalisation at 31 March 2026 was approximately Rs. 11.01 billion.

The public holding increased to 23.54% from 15.97% and the number of public shareholders rose to 2,845 from 1,998. Float-adjusted market capitalisation increased to Rs. 2,592.44 million from Rs. 1,385.34 million, and the Company accordingly now complies with the minimum public holding requirement under Option 4 of Listing Rule 7.14.1(a). Ceylon Hotels Corporation PLC remains the parent, holding 70.09% of the issued ordinary shares.

OUTLOOK

The Group enters FY 2026/27 with a materially improved asset base and a materially more difficult demand environment.

The principal headwind is the Middle East conflict and its transmission through aviation. Sri Lanka's dependence on Gulf transit is structural rather than incidental: Doha, Abu Dhabi, Dubai and Sharjah together accounted for 21.3% of last departure ports in June 2026, and Gulf carriers for 22.7% of arrivals. Any prolonged disruption to these hubs directly constrains access from precisely the long-haul European and North American markets that generate the longest stays and the highest yield. The de-escalation observed towards the end of the June quarter, and the 17.8% month-on-month recovery in European arrivals in June 2026, are encouraging but not yet conclusive.

The second headwind is currency and cost. Rupee depreciation of 7.8% year-to-date to end-July 2026, combined with elevated energy prices, raises imported input costs, utilities and food costs across the portfolio. This is partially offset for the Group by the dollar-linked nature of a significant share of room revenue, but the pass-through is neither immediate nor complete, and it is adverse for the joint venture's US Dollar denominated debt service.

Against these, the Group is better positioned than at any point since 2019. The major refurbishment cycle is complete, leaving an upgraded product that does not require significant further capital in the near term. Gearing has been reduced for a second consecutive year and the cash position has strengthened. Cost discipline held administrative expense growth well below revenue growth in the year under review, and that discipline is being maintained.

Management's priorities for FY 2026/27 are accordingly to defend average room rate rather than pursue volume at the expense of yield; to accelerate the conversion of operating profit into operating cash flow; to return the Company to net profitability by addressing the finance cost burden; to reduce the currency exposure within the joint venture; and to broaden source market and distribution mix, with particular attention to extending length of stay in the Indian market and to recovering share in the European markets that softened during the first half of 2026.

Beyond the immediate cycle, the structural issue for Sri Lanka remains value rather than volume. Arrivals recovered to a record in 2025 while earnings barely moved, and the first half of 2026 saw earnings fall almost seven times faster than arrivals. Sustained destination branding, the long-promised visa facilitation measures, improved airport capacity and route diversification away from a narrow set of transit hubs are the reforms that would most improve the operating environment for well-invested properties such as the Group's.

RISK MANAGEMENT

The Company aims to maximise shareholder value while minimising potential adverse effects on its business plans, brand reputation, operational performance, and financial position through an integrated risk management strategy.

The risk management framework is embedded within the Company's business planning and operational processes, with key management teams responsible for identifying, assessing, monitoring, and mitigating risks at an early stage. The Board of Directors provides overall oversight, while the Audit Committee supports the Board in reviewing internal controls, financial risks, and other significant exposures.

Within the tourism sector, risk management requires a proactive approach to anticipate, prepare for, respond to, and recover from events that may affect tourist safety, travel patterns, hotel operations, revenues, and stakeholder confidence. Key risks include operational, financial, environmental, geopolitical, technological, health, and reputational risks.

The Board of Directors and the Audit Committee continue to oversee the Company's risk management processes to ensure that material risks are managed within acceptable limits. Attention is required in relation to geopolitical developments, air connectivity, climate-related events, economic conditions, health and safety, workforce availability, competition, digital reputation, and property and investment valuations.

TOURISM INDUSTRY

The tourism sector continues to be influenced by economic conditions, geopolitical developments, political stability, socio-cultural trends, technological advancements, climate change, environmental sustainability, and changing consumer travel behaviour.

Sri Lanka's tourism industry experienced strong growth during 2025. Tourist arrivals increased by 15.1% year-on-year to approximately 2.36 million. Despite this positive performance, tourism remains highly exposed to external disruptions, including natural disasters, health emergencies, terrorism, geopolitical conflicts, economic downturns, aviation disruptions, and changes in international travel sentiment.

During 2026, geopolitical risk became particularly significant following the escalation of conflict in the Middle East. Disruptions to major Gulf aviation hubs affected important transit routes for tourists travelling to Sri Lanka from Europe, North America, Australia, and other long-haul markets. Flight cancellations, airspace restrictions, longer travel routes, increased airfares, and reduced traveller confidence created additional pressure on the tourism sector.

The monthly performance during 2026 demonstrates this vulnerability. Tourist arrivals increased by 9.7% in January and 16.2% in February compared with the corresponding months of 2025, but declined by 19.8% in March. Such fluctuations highlight the industry's sensitivity to geopolitical developments and international air connectivity.

Economic conditions in key source markets also remain an important risk. Inflation, disposable income, exchange rates, fuel prices, airline costs, and consumer confidence can affect international travel demand. Rising travel costs may encourage tourists to select shorter-haul or lower-cost destinations, increasing competitive pressure on Sri Lanka.

Domestic economic and policy conditions can also influence tourism. Changes in taxation, regulations, administrative procedures, operating costs, utility prices, and local purchasing power may affect both international and domestic tourism demand.

Health and environmental risks require continued attention. Disease outbreaks, food safety incidents, extreme weather, flooding, landslides, coastal hazards, and other natural or man-made disasters can adversely affect tourist confidence and hotel operations. Effective emergency preparedness, health and safety systems, business continuity plans, insurance coverage, and sustainable operating practices are therefore essential.

Climate change represents a growing long-term risk because Sri Lanka's tourism appeal depends heavily on beaches, marine ecosystems, wildlife, forests, mountains, and cultural heritage. Rising temperatures, irregular rainfall, flooding, droughts, coastal erosion, and other climate-related events may affect destinations, infrastructure, biodiversity, and operating costs.

The expansion of accommodation supply has also increased competition. Hotels, villas, homestays, international brands, independent properties, and online accommodation platforms compete for the same leisure and business travellers. The ability to attract and retain customers will increasingly depend on service quality, strategic location, value for money, digital marketing, customer loyalty, sustainability, personalised experiences, and operational efficiency.

OUR BUSINESS

The Company's business depends significantly on the quality, reputation, and customer perception of its properties and brands. Any decline in service standards, guest satisfaction, food safety, cleanliness, security, or environmental and social performance could negatively affect market share, revenues, profitability, and long-term brand value.

Social media and online travel platforms have increased reputational risk, as guest reviews, photographs, videos, and comments can reach international audiences rapidly and influence future booking decisions. Effective communication, complaint management, digital monitoring, and crisis response are therefore increasingly important.

Guest and employee safety remains a key operational priority. Hotels must maintain appropriate standards relating to fire safety, food hygiene, security, occupational health and safety, emergency response, cybersecurity, and business continuity. Major incidents could result in financial losses, legal liabilities, reputational damage, and reduced demand.

The ability to attract, develop, and retain skilled employees is critical to maintaining service quality. Shortages of skilled personnel or high employee turnover may increase labour costs, reduce service quality, affect employee morale, and constrain business expansion. Leadership continuity is also important, as the departure or under performance of key executives may adversely affect strategic implementation and operational efficiency.

The Company's revenues remain exposed to fluctuations in tourist arrivals and hotel occupancy. The experience of 2026 demonstrates that geopolitical events can cause sudden changes in international travel flows even when underlying demand remains strong. The Company should therefore maintain adequate insurance coverage for property damage, business interruption, public liability, and other relevant risks.

GEOPOLITICAL AND AIR CONNECTIVITY RISK

The events of 2026 have highlighted the Company's exposure to geopolitical developments outside Sri Lanka. Conflicts in the Middle East can affect airline schedules, airspace availability, fuel prices, travel costs, and traveller confidence.

Sri Lanka's dependence on Gulf transit hubs creates particular vulnerability for long-haul markets. Prolonged disruptions could reduce arrivals from major source markets even where demand for Sri Lanka remains strong.

The tourism industry should therefore focus on diversifying source markets, strengthening direct air connectivity, developing alternative aviation routes, and maintaining relationships with airlines and travel partners.

ECONOMIC AND MARKET DEMAND RISK

Tourism demand remains sensitive to global and domestic economic conditions. Inflation, interest rates, exchange-rate movements, fuel prices, disposable income, and economic uncertainty can affect travel frequency, length of stay, accommodation selection, and tourist expenditure.

Sri Lanka recorded tourism earnings of approximately USD 3.2 billion in 2025, representing a 1.6% increase from 2024. The relatively modest growth in earnings compared with the stronger increase in arrivals highlights the importance of improving visitor spending, length of stay, and value generated per tourist. The Company therefore needs to manage pricing, costs, promotional activities, and product offerings carefully while maintaining service quality and protecting margins.

COMPETITION AND SUPPLY RISK

The expansion of Sri Lanka's tourism accommodation sector is increasing competitive intensity. During 2025, tourism establishments increased by approximately 12%, while room capacity increased by approximately 11.6%.

Competition extends beyond traditional hotels to international hotel brands, independent hotels, boutique properties, villas, homestays, and online accommodation platforms. The Company's ability to remain competitive will depend on high service standards, effective revenue management, strategic positioning, customer loyalty, digital distribution, differentiated experiences, and efficient cost management.

CLIMATE, ENVIRONMENTAL AND NATURAL DISASTER RISK

Sri Lanka's dependence on natural and cultural attractions creates exposure to climate and environmental risks. Flooding, landslides, storms, droughts, coastal erosion, extreme temperatures, and other natural events can disrupt hotel operations, transportation, utilities, attractions, and supply chains.

Environmental degradation may also reduce the long-term attractiveness of tourism destinations. The Company should therefore incorporate sustainability through efficient energy and water use, waste reduction, responsible sourcing, biodiversity protection, and climate-resilient infrastructure.

Emergency preparedness and business continuity planning remain essential to protect guests, employees, assets, and surrounding communities during natural disasters and other disruptions.

HEALTH, SAFETY AND SECURITY RISK

Health and safety risks remain material to tourism. Disease outbreaks, food-borne illnesses, inadequate sanitation, accidents, and security incidents can negatively affect visitor confidence and hotel demand.

The Company should maintain strong hygiene and food safety standards, regular health and safety inspections, emergency response procedures, staff training, security systems, and appropriate communication protocols. Business continuity planning should also address sudden reductions in occupancy, supply-chain interruptions, staffing constraints, and changes in international travel requirements.

TECHNOLOGY, CYBERSECURITY AND DIGITAL REPUTATION RISK

The increasing reliance on online bookings, digital payments, property management systems, customer databases, social media, and online travel agencies creates additional technology and cybersecurity risks.

Cyberattacks, data breaches, system failures, payment fraud, or unauthorised access to customer information could result in financial losses, regulatory consequences, operational disruption, and reputational damage.

The Company should therefore continue strengthening cybersecurity controls, access management, data protection, system backups, employee awareness, incident response procedures, and monitoring of digital platforms.

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

The Board of Directors ('the Board') of the Kandy Hotels Co. (1938) PLC has the pleasure of presenting the Annual Report together with the Audited Consolidated Financial Statements of the Company and its subsidiaries (collectively) referred to as 'the Group') for the year ended 31st March 2026. The details set out herein provide the pertinent information required by the Companies Act No.07 of 2007 and its amendments ('Companies Act'), the Listing Rules of the Colombo Stock Exchange (CSE) and the best accounting practices.

1. FORMATION

The Company is a public limited liability company incorporated and domiciled in Sri Lanka bearing company registration no. PQ 201 and the ordinary shares of the Company are listed on the Main Board of CSE. The registered office of the Company is located at No.327, Union Place, Colombo 02.

2. PRINCIPAL ACTIVITY OF THE COMPANY AND ITS SUBSIDIARIES

The Company's principal activity is to engage in the hospitality industry. The Company owns and operates the Queen's Hotel and Hotel Suisse in Kandy.

The Company has 100% stake in United Hotels Company Limited ('UHCL'), which owns EKHO Surf, EKHO Lake House and The Lake Hotel. UHCL has two wholly owned subsidiaries: Tissa Resort (Pvt) Limited and Ceylon Hotels Maldives (Pvt) Limited.

The Company also has 100% stake in its subsidiary Suisse Hotel (Pvt) Ltd, which owns a 50% stake in Suisse Hotel Kandy (Pvt) Ltd, which owns Radisson Hotel Kandy.

There were no significant changes in the nature of the principal activities of the Company and its subsidiaries during the financial year under review.

3. ANNUAL REPORT

The Board of Directors on 28th August 2026, approved the Company's Audited Financial Statements together with the reviews which form part of the Annual Report. The appropriate number of copies of the Report would be submitted to the Colombo Stock Exchange, Sri Lanka Accounting and Auditing Standards Monitoring Board and the Registrar General of Companies within the given time frames to meet the deadlines.

4. REVIEW OF THE YEAR

The Chairman's Review and the Management Discussion and Analysis on pages 3 to 4 and 7 to 11 describes the Company's affairs and highlights important events that occurred during the year, and up to the date of this report. The Group Financial Highlights on page 02 summaries the financial results of the Company. These reports together with the audited financial statements reflect the state of affairs of the Company.

5. FINANCIAL PERFORMANCE OF THE COMPANY

The financial statements which include statement of profit or loss and other comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and the notes to the financial statements of the Company & Group for the year ended 31st March 2026 and are prepared in compliance with the Sri Lanka Accounting Standards (SLFRS and LKAS) laid down by the Institute of Chartered Accountants of Sri Lanka and the requirements of Section 151 of the Companies Act No. 07 of 2007 are given on pages 75 to 150 in this annual report.

The aforementioned financial statements for the year ended 31st March, 2026, are duly signed by the Finance Manager and two other Directors of the Company.

6. FINANCIAL RESULTS

The net loss before tax of the Company was Rs. 129 Mn on a turnover of Rs. 920 Mn for the year ended 31st March 2026 compared to a loss before tax Rs. 128 Mn on a turnover of Rs. 527 Mn in 2024/2025.

An abridgement of the financial performance of the Company and Group is presented below.

	Group		Company	
For the year ended 31st March	**2026 Rs (000)**	**2025 Rs (000)**	**2026 Rs (000)**	**2025 Rs (000)**
Profit/ (loss) for the year	214,733	111,886	(97,801)	(89,934)
Profit brought forward from the previous year	1,147,475	948,470	1,306,516	1,323,118
Other comprehensive income	656	(1,643)	(447)	(338)
Dividends (preference dividend)	(38)	(38)	(38)	(38)
Transfer of excess depreciation on revaluation	154,528	88,800	142,755	73,707
Retained earnings carried forward	1,517,354	1,147,475	1,350,985	1,306,516

7. AUDITORS' REPORT

The Independent Auditors of the Company are Messrs. Ernst & Young (E&Y), Chartered Accountants. E&Y carried out the audit of the financial statements of the Company for the year ended 31st March 2026 and their report on the financial statements is set out on pages 77 to 79 of this Annual Report.

8. SIGNIFICANT ACCOUNTING POLICIES

The details of the accounting policies adopted by the Company in preparation of the financial statements and the impact thereon, of changes in the Sri Lanka Accounting standard made during the year are disclosed on pages 85 to 102 of the Annual Report. There were no changes in accounting policies adopted by the Company during the year under review other than those disclosed in the financial statements.

9. RESPONSIBILITIES OF DIRECTORS AND AUDITORS FOR THE FINANCIAL STATEMENTS

The Directors are responsible for the preparation of the financial statements so that they present a true and fair view of the state of affairs of the Company. The Directors are of the view that these financial statements have been prepared in conformity with the requirements of Sri Lanka Accounting Standards, Companies Act, the Sri Lanka Accounting and Auditing Standard Act and the Continuing Listing Rules of the Colombo Stock Exchange.

The detailed Statement of Directors' Responsibilities for Financial Reporting is set out on pages 20 to 21 of this Annual Report.

10. STATED CAPITAL AND RESERVES

The Company's stated capital as of 31st March 2026 was Rs.2,661,816,425/- represented by 754,309,253 ordinary shares and 50,000 preference shares @15%.

As at 31st March 2026, there were 2856 Total registered ordinary shareholders. The Company has ensured at all times that all shareholders are treated fairly and equitably.

a) Minimum Public Holding Requirement

The Company was not compliant with the Minimum Public Holding requirement in relation to a Company listed on the Main Board, as per Rule 7.13.1 of the Listing Rules of the Colombo Stock Exchange (CSE') since 29th February 2024. However, as a result of non-public shareholder, Hotel International (Pvt) Ltd disposing its shares held in the Company, during the month of August 2025, public shareholding percentage of the Company increased. Subsequently, the securities of the Company were transferred from the Second Board of the CSE to the Main Board of the CSE according to the CSE Listing Rules with effect from 8th September 2025 due to compliance with the Minimum Public Holding Requirement stipulated in Rule 7.13.1.(i) (a).

The percentage of shares held by the public as of 31 March 2026 was 23.54% , in the hands of 2845 shareholders.

11. SHAREHOLDERS' FUND

The total reserves of the Company as of 31st March 2026 was Rs. 8,346 Mn (2024/2025: Rs. 8,444 Mn) comprising of retained earnings of Rs. 1,351 Mn (2024/2025: Rs. 1,307 Mn) and other reserves of Rs. 6,995 Mn (2024/2025: Rs. 7,138 Mn). Total reserves combined with Stated Capital as of 31st March 2026 was Rs. 11,008 Mn (2024/2025: Rs. 11,106 Mn) The movements are shown in the Statement of Changes in Equity given on pages 82 to 83.

12. DIVIDEND

The Board of Directors have not recommended a final dividend for the year ended 31st March 2026.

13. GOING CONCERN

The Directors, after making necessary inquiries and reviews including the reviews of the budget for the ensuing year, capital expenditure requirements, future prospects and risks, cash flows and such other matters required to be addressed under the Code of Best Practice issued by the Institute of Chartered Accountants of Sri Lanka are satisfied that the Company has adequate resources to continue operations in the foreseeable future.

Accordingly, the Directors consider that it is appropriate to adopt the going concern basis in preparing the Financial Statements.

14. PROPERTY PLANT AND EQUIPMENT

The details of property, plant and equipment, investment properties, of the Company and the Group where applicable, are given in Notes 14 to the Financial Statements on pages 110 to 116.

15. MARKET VALUE OF PROPERTIES

Freehold Land and Buildings of the Group were revalued by an independent professional valuer as of 31 March 2025. The valuation basis/techniques and the assumptions used therein have been deliberated and agreed by the Management. The carrying value of land and buildings (freehold and leasehold) reflected in the Financial Statements as at 31st March 2026 is Rs. 11,746 Mn (2024/2025 – Rs. 11,800 Mn).

The details of land and buildings (freehold and leasehold) valuation are given in Note 14.3 on page 114 to 115 to the Financial Statements.

16. INVESTMENTS IN SUBSIDIARIES

Details of long-term Investments held by the Company are given in Note 17 to the financial statements on page 119.

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

17. IMPAIRMENT TESTING

All asset classes have been tested for impairment and Group/ company has made the provisioning where necessary. Details of which are given in the relevant sub notes to the financial statements.

18. STATUTORY PAYMENTS

To the best of their knowledge and having made adequate inquiries from the management, the Directors are satisfied and confirm that all statutory payments in relation to the Government and on behalf and in respect of the Employees have been duly settled to date or wherever relevant have been provided for in the books of the Company.

19. CONTINGENT LIABILITIES AND OUTSTANDING LITIGATION

The contingent liabilities as at 31st March 2026 are given in Note 34 to the Financial Statements.

In the opinion of the Directors, the Company's lawyers have confirmed that litigation currently pending against the Company will not have a material impact on the reported financial results or future operations of the Company. There were no outstanding litigations as at the reporting date other than those disclosed in Note 34.

20. CAPITAL COMMITMENT

The capital commitments as at 31st March 2026 are given in Note 35 to the Financial Statements.

21. ENVIRONMENTAL PROTECTION

The Company makes every endeavour to comply with the relevant environmental laws, regulations and best practices applicable in the country. After making adequate inquiries from the management, the Directors are satisfied that the Company operates in a manner that minimises the detrimental effects on the environment and provides products and services that have a beneficial effect on customers and the communities within which the Company operates.

To the best of the knowledge of the Board of Directors, the Company has not engaged in any activity which is harmful and hazardous to the environment and complies with the relevant environmental laws and regulations.

22. POST BALANCE SHEET EVENTS

No circumstances have arisen since the Statement of Financial Position date, which would require adjustment to or disclosure in, the financial statements.

23. DIRECTORS AS AT 31 MARCH 2026

The Board of Directors of The Kandy Hotels Company (1938) PLC comprise 06 Directors with wide commercial knowledge and experience and 02 of them serve as Independent Non- Executive Directors. The qualification and experience of the Directors are given on pages 5 to 6 of the Annual Report.

The classification of Directors into Executive (ED), Non-Executive (NED) and Independent (IND), Non-Independent Directors (NID) is given against the names as per the Listing Rules of the CSE.

The names of the Directors who held office during the year under review are as follows:

Name of the Director	Directorship Status
Mr. Sanjeev Gardiner	Non-Independent Executive
Mr. Shalike Karunasena	Non-Independent Executive
Mr. Priyantha Maddumage	Non-Independent Non Executive
Mr. Pradeep Nilanga Dela	Non-Independent, Non-Executive
Mr. Indrajith Fernando	Independent Non-Executive
Mr. Nirmal De Soysa Cooke	Independent Non-Executive

The Company obtained an annual declaration from the Directors as per Rule 9.7.3 and 9.7.4. of the Listing Rules of the Colombo Stock Exchange (CSE) confirming that they have continuously satisfied the specified Fit and Proper Assessment Criteria set out in the Rules during the Financial year and as at the reporting date. Therefore, no Director was identified as a person who has failed to fulfil the required assessment criteria during the year under review.

Each of the Independent Directors of the Company has submitted a signed declaration on Independence / Non – Independence as per Rule 9.8.5 of the Listing Rules of the Colombo Stock Exchange (CSE). Based on the Declaration made by the Directors, the Board is satisfied that the Independent Directors have fulfilled the independence criteria.

23.1 Changes in the Directorate

No changes in the Directorate during the year. All of the above Directors held office during the entire year.

23.2 Directors to retire by rotation

In terms of Article 91 and 93 of the Articles of Association of the Company, shareholder approval is sought to re-elect Mr. Priyantha Maddumage, who retire by rotation and, being eligible offer himself for re-election.

In terms of Rule 9.7.2. of the Listing Rules of the Colombo Stock Exchange the Board has ensured that Mr. Maddumage is fit and proper based on the 'Fit and Proper Criteria' stipulated in the Listing Rules.

23.3 Re-appointment of Directors who are over seventy years of age

There are no directors over the age of seventy years to be re-appointed at the forthcoming Annual General Meeting (AGM) in accordance with Section 210 of the Companies Act No. 07 of 2007.

23.4 Directors of Subsidiary Companies

The names of the Directors of Subsidiary companies as at March 31, 2026 are given below.

Name of the Company	Name of the Directors
Suisse Hotel (Pvt) Limited	Mr. Sanjeev Gardiner
	Mr. Priyantha Maddumage
	Mr. Lalith Rodrigo
	Mr. Shalike Karunasena

Name of the Company	Name of the Directors
United Hotels Company Limited	Mr. Sanjeev Gardiner
	Mr. Priyantha Maddumage
	Mr. Mangala Boyagoda
	Mr. Revantha Devasurendra
	Mr. Shalike Karunasena (Alternate Director to Mr. Priyantha Maddumage)

Name of the Company	Name of the Directors
Tissa Resort (Pvt) Limited	Mr. Priyantha Maddumage
	Mr. Shalike Karunasena (Alternate Director to Mr. Priyantha Maddumage)

Name of the Company	Name of the Directors
Ceylon Hotels Maldives (Pvt) Limited	Mr. Sanjeev Gardiner
	Mr. Priyantha Maddumage
	Mr. Shalike Karunasena

24. DIRECTORS' MEETINGS

There were two (2) board meetings held during the year ending 31 March 2026.

Name of the Director	Directorship Status	Eligibility	Attendance
Mr. Sanjeev Gardiner	Non-Independent Executive	02	02
Mr. Shalike Karunasena	Non-Independent Executive	02	02
Mr. Priyantha Maddumage	Non-Independent Non Executive	02	01
Mr. Pradeep Nilanga Dela	Non-Independent, Non-Executive	02	00
Mr. Indrajith Fernando	Independent Non-Executive	02	02
Mr. Nirmal De Soysa Cooke	Independent Non-Executive	02	02

25. BOARD SUBCOMMITTEES

The Board while assuming the highest level of responsibility and accountability for the management of the Company, has also appointed board sub-committees to ensure more effective control over certain affairs of the Company, conforming to the Corporate Governance Standards of the Listing Rules of the CSE and industry best practices.

In line with corporate governance standards of listing rules and the industry best practices, the following sub-committees have been constituted by the board.

- Audit Committee
- Remuneration Committee
- Related Party Transaction Review Committee
- Nominations and Governance Committee

The following Directors served as members of these subcommittees during the year under review.

25.1 Audit Committee

Following are the names of the Directors comprising the Audit Committee of the company.

1. Mr. Indrajith Fernando - Independent, Non-Executive Director- Chairman
3. Mr. Nirmal De Soysa Cooke – Independent, Non-Executive Director
4. Mr. Priyantha Maddumage – Non-Independent, Non-Executive Director

25.2 Remuneration Committee

Following are the names of the Directors comprising the Remuneration Committee of the company.

1. Mr. Nirmal De Soysa Cooke - Independent, Non-Executive Director-Chairman
2. Mr. Indrajith Fernando – Independent, Non-Executive Director

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

3. Mr. Priyantha Maddumage – Non-Independent, Non-Executive Director

25.3 Nominations and Governance Committee

Following are the names of the Directors comprising the Nominations and Governance Committee of the company.

Mr. Nirmal De Soysa Cooke - Independent, Non-Executive Director- Chairman

Mr. Indrajith Fernando – Independent, Non-Executive Director

Mr. Priyantha Maddumage – Non-Independent, Non-Executive Director

25.4 Related Party Transactions Review Committee

Following are the names of the directors comprising the Related Party Transactions Review Committee of the company.

1. Mr. Indrajith Fernando – Independent, Non-Executive Director – Chairman
2. Mr. Priyantha Maddumage – Non-Independent, Non-Executive Director
3. Mr. Nirmal De Soysa Cooke - Independent, Non-Executive Director

26. RELATED PARTY TRANSACTIONS

26.1 Recurrent Related Party Transactions

All recurrent related party transactions, whose aggregate value exceeds 10% of the gross revenue/income of the Company as per the audited financial statements of 31st March 2026, are disclosed under Note 33 on pages 139 to 142 to the Financial Statements as required in Section 9.14.8.2 of the listing rules.

26.2 Non-Recurrent Related Party Transactions

All non-recurrent related party transactions entered into the Company where the aggregate value of the Non-Recurrent Related Party Transactions exceeds 10% of the equity or 5% of the total assets whichever is lower, of the Company as per the audited financial statements as at 31st March 2026, are disclosed under Note 33.6 on page 142 to the Financial Statements as additional disclosures are required in the 2025/26 Annual Report under Colombo Stock Exchange listing Rule 9.14.8 (1) and the Code of Best Practices on Related Party Transactions under the Security Exchange Commission Directive issued under Section 13(c) of the Security Exchange Commission Act.

26.3 Directors' Declaration on Related Party Transactions

The Directors declare that they are in compliance with Section 9.14.8.(4) of the listing rules of the CSE pertaining to Related Party Transactions during the financial year ended 31st March 2026. The Directors of the Company declare that there were no related party transactions required to be disclosed under the listing rules of the CSE other than those disclosed in the financial statements.

27. DIRECTORS' DEALINGS WITH THE SHARES OF THE COMPANY

Directors' shareholding in the company as at 31st March 2026 are as follows:

	31st March 2026	
Name of the Director	Ordinary shares	Preference Shares
Mr. Sanjeev Gardiner	175,000	9,500
Mr.Nirmal De Soysa Cooke	Nil	Nil
Mr.Pradeep Nilanga Dela	Nil	Nil
Mr P P Maddumage	Nil	Nil
Mr.Indrajith Fernando	Nil	Nil
Mr Shalike Karunasena	Nil	Nil

As at 31st March 2026, there were 2,856 Total registered ordinary shareholders.

The number of ordinary shares held by the public as per the Colombo Stock Exchange rules as of 31st March 2026 was 177,562,943 shares equivalent to 23.54%.

The Company has ensured at all times that all shareholders are treated fairly and equitably.

28. INTEREST REGISTER

In terms with the Companies Act No.07 of 2007, the company maintained an Interest Register and the entries have been made therein. All related party transactions during the period are recorded in the Interest Register.

29. REMUNERATION OF DIRECTORS

Directors of the company were not remunerated for the service rendered during the financial year.

30. DIRECTORS INTEREST IN CONTRACTS

Directors of the Company have made necessary declarations of their interest in the contract or proposed contracts, in terms of section 192(1) and 192(2) of the Companies Act. These interests have been recorded in the interest register which is available for inspection in terms of the Companies Act.

The Directors have no direct or indirect interest in contracts and proposed contracts, other than disclosed in Note 33 to the Financial Statements.

31. DIRECTORS' DECLARATION

The Board of Directors declares as follows:

a. The Company has not engaged in any activity which contravenes laws and regulations

b. All material interests in contracts involving the Company were disclosed and any interested party refrained from voting on matters in which they were materially interested.

c. The Company has made all endeavours to ensure the equitable treatment of shareholders.

d. The business is a going concern, with supporting assumptions or qualifications as necessary; and they have conducted a review of the internal controls, covering financial, operational and compliance controls and risk management, and have obtained reasonable assurance of their effectiveness and successful adherence therewith.

32. CORPORATE GOVERNANCE

The Board has ensured that the Company has complied with the Corporate Governance Rules as per the Listing Rules of the Colombo Stock Exchange (CSE). Subject to Corporate Governance Report given in page No 22.

33. SUBSTANTIAL SHAREHOLDING

Names of the twenty largest shareholders and the percentages of their respective holdings as at 31st March 2025 and 31st March 2026, are given in the section on "Investor Information" on pages 151 to 153.

34. SHARE INFORMATION AND INFORMATION ON EARNINGS, DIVIDEND, NET ASSETS AND MARKET VALUE

Information relating to earnings, dividend, net assets and market value per share is given in "Financial Highlights" on page 02 Information on the shares traded and movement in the number of shares represented by the stated capital of the company is given in the section on "Investor Information" on pages 151 to 153.

35. CONTRIBUTIONS TO CHARITY

The sum of contributions made to charities by the Group during the financial year ended 31 March 2026 does not exceed Rs. 960,216 /- (2025: does not exceed Rs. 93,624/-.

36. RISK MANAGEMENT

Risk Management is embedded in the day-to-day management of the Company and is also a part of the Corporate Governance processes and is explained in the section 'Risk Management'.

The Directors of the Company have taken reasonable steps to safeguard the financial operation of the Company to prevent and detect fraud and any other irregularities. For this purpose, the Directors consider that the system of internal controls is appropriately designed for identifying, recording, evaluating, and managing the significant risks faced by the Company throughout the year and it is being regularly reviewed by the Board of Directors. The Directors further confirm that an on-going process to identify, evaluate and manage significant business risk.

37. MATERIAL ISSUES PERTAINING TO EMPLOYEES AND INDUSTRIAL RELATIONS OF THE COMPANY

The Company assesses the importance and impact of each employee and accordingly relevant managerial actions are implemented. Being in the leisure sector, the company has wider stakeholder groups who can be significantly affected by its business activities. The company gives important considerations to its relations with employees and other stakeholder groups within the market place. Accordingly material issues that can substantially affect the company and its sustainability over the short, medium and long terms are determined through a process and actions are taken accordingly.

38. AUDITORS RELATIONSHIP

Messrs Ernst & Young Chartered Accountants who are willing to continue in office are recommended for re-appointment, at a remuneration to be decided by the Board of Directors.

The fees paid to auditors are disclosed in Note 10 to the Financial Statements.

Based on the declaration provided by Messrs. Ernst & Young and as far as the Directors are aware, the auditors do not have any relationship (other than that of an auditor) with the company other than those disclosed above. The auditors also do not have any relationship or interest in the Company or its Group Companies other than those disclosed above which may reasonably be thought to have a bearing on their independence in accordance with the Code of Ethics of the Institute of Chartered Accountants of Sri Lanka.

39. NOTICE OF THE ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held on 25th September 2026 at 2.00 p.m., via audio visual technology. The Notice of Meeting is given on page 158 of the Annual Report.

40. ACKNOWLEDGEMENT OF THE CONTENT OF THE REPORT

As required by Section 168(1) (k) of the Companies Act No. 07 of 2007, the Board of Directors do hereby acknowledge the content of this Annual Report.

Signed in accordance with the resolution of the Board of Directors.

For and on behalf of the Board

(Sgd.)
Sanjeev Gardiner
Chairman

(Sgd.)
Shalike Karunasena
Director

(Sgd.)
By Order of the Board,
Deloitte Corporate Services (Private) Limited,

28th August 2026

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR PREPARATION OF FINANCIAL STATEMENTS

The responsibilities of the Directors, in relation to the Financial Statements of The Kandy Hotels Co. (1938) PLC ('the Company') and the Consolidated Financial Statements of the Company and its subsidiaries ('the Group') is set out in the following statement.

In terms of Sections 150 (1), 151, 152 and 153 (1) & (2) of the Companies Act No. 07 of 2007, the Directors of the Company are responsible for ensuring that the Company keeps proper books of account of all the transactions and prepare Financial Statements that give a true and fair view of the financial position of the Company and its subsidiaries, as at the end of each financial year and of the financial performance of the Company for each financial year and places them before a general meeting.

The financial statements comprise:

- The Statement of Financial Position, which presents a true and fair view of the state of affairs of the Company and its subsidiaries as at the end of the financial year.
- The Statement of Comprehensive Income
- The Statement of Changes in Equity
- The Statement of Cash Flows
- Notes to the Financial Statements

Accordingly, the Directors confirm that the Financial Statements of the Company and the Group give a true and fair view of:

(a) the financial position of the KHC as at the reporting date; and

(b) the financial performance of the KHC for the financial year ended on the Reporting date.

In terms of Section 150(1)(b) and Section 152(1)(b) of the Companies Act these Financial Statements of the Company have been certified by the Company's Finance Manager, the Officer responsible for their preparation. In addition, the Financial Statements of the Company and the Group have been signed by two Directors of the Company on 28th August 2026 as required by the Sections 150 (1) (c) and 152 (1) (c) of the Companies Act and other regulatory requirements. In terms of Section 148 (1) of the Companies Act, the Directors are also responsible for ensuring that proper accounting records are correctly recorded and explains the Company's transactions to facilitate a proper audit of the Financial Statements. Accordingly, the Directors have taken reasonable steps to ensure that the Company and the Group maintain proper books of accounts and review the financial reporting system through the Board Audit Committee.

The Board of Directors also approves the Interim Financial Statements prior to their release to the Colombo Stock Exchange, upon a review and recommendation by the Audit Committee.

The Directors confirm that these Financial Statements for the year ended 31st March 2026, prepared and presented in this Annual Report agree with

a) Appropriate accounting policies have been selected and applied in a consistent manner and material departures if any have been disclosed and explained.

b) All applicable accounting standards (SLFRS/LKAS) that are relevant, have been followed and are consistent with the underlying books of accounts.

c) Reasonable and prudent judgments and estimates have been made so that the form and substance of transactions are properly reflected.

d) and information required by the Companies Act No. 07 of 2007, Sri Lanka Accounting and Auditing Standards Act No.15 of 1995, the Listing Rules of the Colombo Stock Exchange and the Code of Best Practice on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and the Securities and Exchange Commission of Sri Lanka (SEC) have been disclosed.

e) The companies within the Group maintain sufficient accounting records to disclose the financial position of the Group with reasonable accuracy.

The External Auditors, Messrs. Ernst & Young, are appointed in terms of Section 158 of the Companies Act No. 07 of 2007 were provided with every opportunity to undertake the inspections they considered appropriate to enable them to form their opinion on the Financial Statements. The responsibilities of the independent auditor in relation to the financial statements prepared in accordance with the provisions of the Companies Act, No. 07 of 2007 ('the Companies Act'), are set out in the Independent Auditor's Report from pages 77 to 79.

As required by Section 166(1) and 167(1) of the Companies Act, this Annual Report has been prepared and the Company has met all the requirements under Rule 7.6 on Continuing Listing Requirements of the Listing Rules of the CSE, where applicable.

The Directors are responsible for taking reasonable measures to safeguard the assets of the Company and its subsidiaries and in this regard to give proper consideration to the establishments, designation, implementation and maintenance of appropriate accounting and internal control systems with a view of preventing and detecting frauds and other irregularities relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error. In this regard, the Directors have instituted an effective and comprehensive system of internal controls comprising of internal audit function directly reporting to the Board.

The Directors are of the view that the Company has adequate resources to continue in operation and have applied the going concern basis in preparing these financial statements.

COMPLIANCE REPORT

The Directors confirm that to the best of their knowledge, all taxes, duties and levies payable by the Company and its subsidiaries, all contributions, levies and taxes payable on behalf of and in respect of the employees of the Company and its subsidiaries as at the date of the statement of financial position have been duly paid or, where relevant, provided for, except as disclosed in note 34 to the financial statements covering contingent liabilities.

The Directors confirm that based on their assessment, the accounting controls are adequate, and nothing has come to their attention to indicate any breakdown in the functioning of these controls that may result in a material loss to the Company. The Directors also confirm that the Company has adequate resources to continue in its operational existence and continue as a going concern for the foreseeable future.

Accordingly, the Directors are of the view that they have discharged their responsibilities as set out in the statement.

By Order of the Board of Directors of The Kandy Hotels Co. (1938) PLC.

(Sgd.)
Deloitte Corporate Services (Private) Limited,
Secretaries to the Company

28th August 2026

CORPORATE GOVERNANCE

Corporate governance is the process through which businesses operate in order to promote corporate fairness, transparency, accountability, delegation, and sound and prudent decision-making. The Company's Board of Directors is responsible for implementing robust corporate governance mechanisms and practices for the benefit of all stakeholders with a view to achieving the proper segregation of duties and responsibilities between the board and corporate management, supporting the efficient use of resources, promoting accountability and responsible stewardship, compliance with all legal and regulatory requirements, and promoting ethical leadership, good corporate citizenship, and sustainable development for the best interest of all stakeholders.

The corporate governance framework regulates the application of policies and standards and ensures that legal and regulatory compliance, internal controls, risk management, internal audit, information management, stakeholder relationships, ethics, and sustainability are complied with. It also defines the roles and responsibilities at each level of authority within the Company.

The Company's governance structure includes but is not limited to compliance with the following.

Statutory and Regulatory requirements

- Continuing listing rules of the Colombo Stock Exchange
- Companies Act No. 07 of 2007 and its amendments.
- The Securities and the Exchange Commission of Sri Lanka Act No.36 of 1987 and its amendments thereto, as repealed by the Securities and Exchange Commission of Sri Lanka Act No. 19 of 2021
- The Code of Best Practices on Related Party Transactions issued by the Securities and Exchange Commission
- The Inland Revenue Act No. 24 of 2017 and its amendments
- The Shop and Office Employees Act No. 19 of 1954 and its amendments
- All other applicable regulations

Internal

- Articles of Association
- Board-approved Terms of Reference (TOR) of sub-committees
- Code of conduct for employees
- Board-approved policies

Voluntary Codes

- The Code of Best Practice of Corporate Governance jointly issued by the Securities and Exchange Commission of Sri Lanka (SEC) and the Institute of Chartered Accountants of Sri Lanka (ICASL)
- The Code of Best Practice on Corporate Governance 2023 issued by the Institute of Chartered Accountants of Sri Lanka

BOARD OF DIRECTORS

The Board of Directors of The Kandy Hotels Co. (1938) PLC takes responsibility for good corporate Governance of the Company. The Board sets out the Company's strategic direction and oversees business and connected affairs of the Company and it also formulates the policy framework for the Company. The composition satisfies the listing rules of the Colombo Stock Exchange.

BOARD COMPOSITION

Board composition and Director's Independence as of 31st March 2026.

Name of Director	Status	Shareholding
Mr. Sanjeev Gardiner	Non-Independent Executive	Yes
Mr. Shalike Karunasena	Non-Independent Executive	No
Mr. Priyantha Maddumage	Non-Independent Non Executive	No
Mr. Pradeep Nilanga Dela	Non-Independent Non-Executive	No
Mr. Indrajith Fernando	Independent Non-Executive	No
Mr. Nirmal De Soysa Cooke	Independent Non-Executive	No

DIVERSITY OF BOARD

Profiles of the Directors are given on pages from 5 to 6.

As of 31 March 2026, the Company's board comprised Six (06) Directors, of which four (04) function in a non-executive capacity. The (02) Executive Directors are also considered to be Key Management Personnel (KMP) of the Company. Two (02) out of Six (06) Directors are independent bringing independent judgement and objectivity to the board deliberations.

Recognising the importance of diversity at the Board level, the Company has adopted a more inclusive strategy to promote diversity in order to induce fresh viewpoints that will foster robust debate and effective decision-making. The Non-Executive Directors collectively provide a considerable depth of knowledge gained from their experience and have the necessary skills to bring an objective and sound judgment to bear on issues of strategy, performance and resources.

The Board of Directors have determined that all the directors are satisfied with the 'Fit and Proper Assessment Criteria' set out in the amended corporate governance rules.

INDEPENDENCE OF DIRECTORS

Independence of Directors is determined by the Board, based on annual declarations submitted by the Independent Directors in compliance with the Listing Rules of the CSE.

The Board has determined that two (02) of the Non-Executive Directors are 'independent' as per the criteria set out in the Listing Rules of the Colombo Stock Exchange. The composition satisfies the listing rules of the Colombo Stock Exchange.

Mr. Indrajith Fernando and Mr. Nirmal De Soysa Cooke met the criteria of independence set out in the Listing Rules of the CSE and are considered as Independent Non-Executive Directors.

Name of Director	Board Seats Held in Other Listed Sri Lankan Companies - Executive Capacity	Board Seats Held in Other Listed Sri Lankan Companies - Non-Executive Capacity	Board Seats Held in Other Unlisted Sri Lankan Companies	Key Management Personnel
Mr. Sanjeev Gardiner	1. Ceylon Hotels Corporation PLC 2. Kerner Haus Global Solutions PLC	None	1. Airline Services (Pvt) Ltd 2. C H C Residencies (Pvt) Ltd 3. Ceylon Hotel Holdings (Pvt) Ltd 4. Ceylon Hotels Investment (Pvt) Ltd 5. Ceylon Hotels Maldives (Pvt) Ltd 6. Cyril Gardiner (Pvt) Ltd 7. Deepthi (Pvt) Ltd 8. Capital Land and General (Pvt) Ltd 9. G F H Investment Holdings (Pvt) Ltd 10. Galle Face Group (Pvt) Ltd 11. Galle Face Hotel 1994 (Pvt) Ltd 12. Galle Face Hotel International Management Company (Pvt) Ltd 13. Galle Face Hotel Management Services (Pvt) Ltd 14. Gardiner Capital (Pvt) Ltd 15. Gardiner Consolidated Holdings (Pvt) Ltd 16. Gardiner Group (Pvt) Ltd 17. Gardiner Strategic (Pvt) Ltd 18. GFH Management Company (Pvt) Ltd 19. Great Northern Hotels (Pvt) Ltd 20. I S N Gardiner C K D U Fund 21. Seven 77 (Pvt) Ltd 22. Studio Clay (Pvt) Ltd 23. Suisse Hotel (Pvt) Ltd 24. Suisse Hotel Kandy (Pvt) Ltd 25. Sutherland Holdings (Pvt) Ltd 26. The Galle Face Hotel Company Limited 27. Unionco (Pvt) Ltd 28. United Hotels Company Limited 29. Gardi & Matt (Pvt) Ltd. 30. TIER Innovation Labs (Pvt) Ltd. 31. Lanka Energy Resources (Pvt) Ltd. 32. Kalamazoo Industries (Pvt) Ltd 33. C.P. Groups Investments (Pvt) Ltd 34. Kerner 1 (Pvt) Ltd	None

Corporate Governance

Name of Director	Board Seats Held in Other Listed Sri Lankan Companies - Executive Capacity	Board Seats Held in Other Listed Sri Lankan Companies - Non-Executive Capacity	Board Seats Held in Other Unlisted Sri Lankan Companies	Key Management Personnel
Mr. Shalike Karunasena	1. Ceylon Hotels Corporation PLC	1. Dankotuwa Porcelain PLC.	2. Galle Face Hotel - 1994 (Pvt) Ltd 3. Suisse Hotel (Pvt) Ltd. 4. Suisse Hotel Kandy (Pvt) Ltd. 5. Blue Ceylon Pharma (Pvt) Ltd. 6. Unionco (Pvt) Ltd. 7. Galle Face Group Management Services (Pvt) Ltd. 8. Studio Clay (Pvt) Ltd. 9. Blue Ceylon Investment Holdings (Pvt) Ltd. 10. Ceylon Hotel Holdings (Pvt) Ltd. 11. Ceylon Hotels Maldives (Pvt) Ltd. 12. GFH Management Company (Pvt) Ltd. 13. Tissa Resort (Pvt) Ltd. 14. CHC Rest Houses (Pvt) Ltd. 15. Sutherland Holdings (Pvt) Ltd. 16. Smart Lottery Solutions (Pvt) Ltd. 17. Great Western Hotels (Pvt) Ltd. 18. CHC Foods (Pvt) Ltd. 19. United Hotels Company Ltd.	None
Mr. Priyantha Maddumage	1. Ceylon Hotels Corporation PLC	None	1. Galle Face Hotel – 1994 (Pvt) Ltd. 2. United Hotels Company Ltd. 3. CHC Foods (Pvt) Ltd. 4. Tissa Resort (Pvt) Ltd. 5. Capital Land and General (Pvt) Ltd. 6. Cyril Gardiner (Pvt) Ltd. 7. Deepthi (Pvt) Ltd. 8. Gardiner Capital (Pvt) Ltd. 9. Gardiner Consolidated (Pvt) Ltd. 10. Gardiner Strategic (Pvt) Ltd. 11. Seven 77 (Pvt) Ltd. 12. Sutherland Holdings (Pvt) Ltd 13. Unionco (Pvt) Ltd. 14. Galle Face Group (Pvt) Ltd. 15. Airline Services (Pvt) Ltd. 16. Ceylon Hotel Holdings (Pvt) Ltd. 17. Ceylon Hotels Investments (Pvt) Ltd. 18. Ceylon Hotel Maldives (Pvt) Ltd. 19. CHH Investments (Pvt) Ltd. 20. DOH Investment Lanka (Pvt) Ltd. 21. GFH Investment Holdings (Pvt) Ltd. 22. GFH Management Company (Pvt) Ltd. 23. Great Eastern Hotels (Pvt) Ltd. 24. Great Southern Hotels (Pvt) Ltd. 25. Great Western Hotels (Pvt) Ltd. 26. Lanka Land & Housing (Pvt) Ltd. 27. Spectrum Global Ventures (Pvt) Ltd. 28. Suisse Hotel (Pvt) Ltd. 29. CHC Residencies (Pvt) Ltd. 30. Ceylon Tourism Promotion & Development (Pvt) Ltd. 31. Ceylon Holidays Holdings (Pvt) Ltd.	None

Name of Director	Board Seats Held in Other Listed Sri Lankan Companies - Executive Capacity	Board Seats Held in Other Listed Sri Lankan Companies - Non-Executive Capacity	Board Seats Held in Other Unlisted Sri Lankan Companies	Key Management Personnel
Mr. Pradeep Nilanga Dela	None	None	None	None
Mr. Indrajith Fernando	None	1. Hatton Plantations PLC 2. Lotus Hydro Power PLC	1. Strategic Insurance Brokers (Pvt) Ltd 2. Beyond Wealth (Pvt) Ltd	None
Mr. Nirmal De Soysa Cooke	None	1. Kerner Haus Global Solutions PLC	2. 1705 Studio (Pvt) Ltd 3. Apex GNA Consulting (Pvt) Ltd 4. Asia Dredging (Pvt) Ltd 5. Capstone Merchant (Pvt) Ltd 6. Ceylon Merchant Capital (Pvt) Ltd 7. CHCH Rest Houses (Pvt) Ltd 8. Corporate Securities (Pvt) Ltd 9. Dukes Investments (Pvt) Ltd 10. Infini Restaurant Management (Pvt) Ltd 11. Island Influencer (Pvt) Ltd 12. Kings Investments (Pvt) Ltd 13. Queens Investments (Pvt) Ltd 14. Quintessentially Ceylon (Pvt) Ltd 15. Seaeway enterprises (Pvt) Ltd 16. Techno Park Development Company (Pvt) Ltd 17. Kalamazoo Industries (Pvt) Ltd 18. C.P.Groups Investments (Pvt) Ltd 19. Airlines Services (Pvt) Ltd 20. Plus94 Labs (Pvt) Ltd 21. Kerner Haus 2203 (Pvt) Ltd 22. Vidhya Consulting (Pvt) Ltd 23. NK Ceylon Capital (Pvt) Ltd 24. Clean Serendip (Pvt) Ltd	None

BOARD MEETINGS AND ATTENDANCE

The Board meets regularly to discuss the company's performance and evaluate its strategic direction. There were two (02) board meetings held during the year under review.

The attendance of Directors at the aforesaid meetings is set out in the table below. All meetings held during the year ensured that the Board has adequate time to discuss the actual and potential impact to the Company from the macro-economic environment and to decide on the way forward.

Name of the Director	Directorship Status	Year of Appointment	Tenure on the Board (Years) Age	Age	Eligibility to Attend Board Meeting	Attendance
Mr. Sanjeev Gardiner	Non-Independent Executive	2005	20+ years	57Years	02	02
Mr. Shalike Karunasena	Non-Independent Executive	2024	2+ years	52 Years	02	02
Mr. Priyantha. Maddumage	Non-Independent Non Executive	2005	20+ years	54 Years	02	01
Mr. Pradeep Nilanga Dela	Non-Independent, Non-Executive	2006	19+ years	53 Years	02	00
Mr. Indrajith Fernando	Independent Non-Executive	2024	1+ year	64 Years	02	02
Mr. Nirmal De Soysa Cooke	Independent Non-Executive	2025	1+ year	41 Years	02	02

The routine agenda for board meetings is developed by the Chairman in consultation with all the Directors and the Company Secretary. Agenda items include but are not limited to strategy, industry performance, financial performance, risk management, and human resources. The Company Secretary is responsible for circulating agenda items and board papers to all the Directors.

The company's Senior Management offers all the information essential for the Board of Directors to make decisions. Directors seek independent advice from legal and accounting professionals when needed to gain a broader view of important issues.

Minutes are circulated by the Company Secretary. The significant matters that require further discussion are incorporated into the agenda items for the next meeting. Board members are free to request any additional information on matters that are being discussed at the board level.

Duties And Responsibilities of the Board of Directors

The Board provided stewardship and strategic direction to guide the Corporate Management in achieving the growth objectives of the Company whilst ensuring that the necessary resources are made available, culturally aligned, proper internal control systems, and appropriate reporting functions to measure and report the performance.

The board has a key role in formulating the strategy and establishing the strategic direction for the Company. Board-approved policies and procedures serve as the basis for operationalising the strategy. The board recognises its accountability towards a wide range of stakeholders, provides information, and places a high reliance on financial statements and accounting systems for monitoring performance.

The Chairman of the Board

The Chairman's primary role is to lead the Board to ensure that it effectively functions in achieving the strategic direction. Currently, the company does not have a Chief Executive Officer (CEO), and the Chairman plays an executive role. The Chairman ensures that there is a proper balance between non-executive directors and executive directors.

Senior Independent Director

The Board has appointed Mr. Nirmal De Soysa Cooke as the Senior Independent Director (SID) due to the Chairman holding an executive role, in accordance with the amended Corporate Governance Rules of the CSE. The justification for the Chairman's executive role was communicated to the CSE along with the SID appointment.

This position aims to enhance the independent element of the Board of Directors, ensuring that board members maintain independent judgment and objectivity in all deliberations and that decisions are made in the best interest of the company. The profile of the SID is provided on page 6, and the explanatory report by the SID demonstrating the effectiveness of his duties is on page 39.

Board Sub- Committees

Sub-committees play a crucial role in the Company's governance. They function under the delegated authority of the board. The board is supported by the sub-committees that are established to meet the regulatory requirements, namely, Audit Committee, Related Party Transactions Review Committee, Remuneration Committee and Nominations and Governance Committee.

The aforementioned committee's function is in accordance with the Board approved policies which include the membership and composition, scope of duties and responsibilities etc.

The composition of committees as at 31st March 2026 is shown below.

Board Sub-Committees for the Company.

Name of Director	Status	Audit Committee	Remuneration Committee	Related Party Transaction Review Committee	Nominations and Governance Committee
Mr. Sanjeev Gardiner	Non-Independent Executive	-	-	-	-
Mr. Shalike Karunasena	Non-Independent Executive	-	-	-	-
Mr. Priyantha Maddumage	Non-Independent Non Executive	Member	Member	Member	Member
Mr. Pradeep Nilanga Dela	Non-Independent Non-Executive	-	-	-	-
Mr. Indrajith Fernando	Independent Non-Executive	Chair	Member	Chair	Member
Mr. Nirmal De Soysa Cooke	Independent Non-Executive	Member	Chair	Member	Chair

MANAGING CONFLICTS OF INTEREST

All Directors are expected to act in good faith and maintain transparency regarding matters that could potentially be in conflict of interest. Directors are excused from meetings if an agenda item refers to a matter in which they have an interest, allowing the board to deliberate on the matter without undue influence.

Company Secretaries

The company secretary, Deloitte Corporate Services (Private) Limited, provides secretarial services to the Company. The Secretaries maintain minutes of Board meetings, which are open for inspection by any Director at any time. All Directors have access to the advice and services of the Secretaries, as necessary. The shareholders can also contact the Company Secretaries during office hours for company-related information requirements. Appointment and removal of the Company Secretaries is a matter for the Board.

Shareholder Relations

The board is committed to its responsibility for upholding shareholders' rights. The Company's shareholders and their interests are always equally safeguarded by the Company. Multiple channels are available to encourage shareholders' active engagement such as the corporate websites, the annual report, interim financial statements, CSE announcements and press releases. The Company's website www.chcplc.com contains information on the Company's performance and other important corporate information.

The Annual General Meeting (AGM) is the main platform for the shareholders to meet the board, giving them reasonable opportunity to communicate various matters affecting the Company. All shares have equal voting rights, and shareholders are notified of the annual general meeting well in advance of the mandatory period. AGM notices are uploaded to the Company's website and the CSE website and shareholders are encouraged to use the AGM constructively to discuss matters. Senior management and external auditors attend the AGM.

The Company provides its annual financial statements to all shareholders within the required period, and the unaudited provisional financial statements are released to the CSE in compliance with the CSE's Listing Rules. Quarterly financial results and other important announcements are promptly disclosed to CSE in compliance with the listing rules.

Accountability and Audit

The Board has the task of presenting a balanced and understandable assessment of the company's performance, financial position and outlook. A summary of Directors' responsibilities in respect of preparation of financial statements are given on page 20.

The board is responsible for establishing a holistic risk control framework for proactive identification and effective management of risks. A well-defined internal control system is vital for the effective management of risk and preventing and detecting fraud and/or other irregularities. The risk management report is detailed on page 12 of the annual report.

The report of the Audit Committee is given on page 40 of the annual report. The Audit Committee reviews the financial reporting process, internal controls, and external audit functions to ensure the integrity and quality of the financial statements. The audit committee ensures the independence of external auditors, the timely delivery of the audited financial statements, and the effectiveness of internal audit procedures. The Audit Committee tries to meet at least once a quarter with the management to review quarterly financial statements prior to release to shareholders and with the internal auditors to review the internal audit reports and findings. The Audit Committee also meets with external auditors to discuss the external audit plan prior to the commencement of the external audit and meets with them after the completion of the audit to discuss the financial statements and key audit findings.

Statutory compliance statements demonstrating the extent to which the company complies with the rules and regulations are distributed among the Directors for the board's information at all audit committee and board meetings.

The Board of Directors confirms that the applicable Sri Lanka Accounting Standards have been adhered to, subject to any material departures being disclosed and explained in the notes to the financial statements. The Board of Directors further confirms that suitable accounting policies consistently applied and supported by reasonable and prudent judgment and estimates, have been applied in the preparation of the financial statements. They further confirm that all known statutory payments have been paid up to date and all retirement gratuities have been provided for in the financial statements. At the same time, all payments made to related parties have been reflected in the financial statements.

Environmental, Social Governance and Promoting Ethics

The board placed a strong emphasis on strengthening ESG credentials by establishing a framework of policies and procedures to drive principles of sustainable business. The board sets the tone for promoting cultural ethics and good business conduct. Every board member complies with the Code of Conduct and governance requirements in executing their duties ethically and in alignment with the business values.

Through sustainable and eco-friendly practices, the Board is cognisant of its relationship with all stakeholders, including the community in which it operates. Through frequent training and enhanced facilities, the hotels raise and improve staff standards and morale. This enables service level improvements, enhancing the guest experience. Satisfied guests not only provide repeat business, but also serve as ambassadors for the hotels.

Declarations by the Board and Governance Disclosures

The Annual Report includes the following reports of the Board and its Committees providing key declarations on effective discharge of their duties.

- Annual Report of the Board of Directors
- The Board of Directors' Statement on Internal Control
- Statement of Directors' Responsibilities
- Reports of the Board Committees
- Corporate Governance Report

The Board acknowledges its responsibility for ensuring the integrity of this Annual Report, which is in the opinion of the Board, addresses all the concerns that are mentioned to the Company's ability to create sustainable value and reflects a fair presentation of the integrated performance of the Company.

Corporate Governance Compliance Disclosures

The tables shown here summarise the Company's level of compliance with the regulatory requirements. The extent to which the Company has met the requirements specified by the Companies Act No. 07 of 2007 and the Colombo Stock Exchange's listing guidelines as amended are also covered in this report. The following declaration outlines the many facets of corporate governance that the Company implemented during the financial year under review.

Statement of Compliance with Companies Act No. 07 of 2007.

Section Reference	Requirement	Status of Compliance	Annual Report Reference
168 (1) (a)	The nature of the business of the Group and the Company together with any change thereof during the accounting period	Complied	Annual Report of the Board of Directors
168 (1) (b)	Signed Financial Statements of the Group and the Company for the accounting period completed	Complied	Financial Statements
168 (1) (c)	Auditors' Report on Financial Statements of the Group and the Company	Complied	Independent Auditors' Report
168 (1) (d)	Accounting Policies and any changes made during the accounting period	Complied	Notes to the Financial Statements
168 (1) (e)	Particulars of the entries made in the Interests Register during the accounting period	Complied	Annual Report of the Board of Directors
168 (1) (f)	Remuneration and other benefits paid to Directors of the Company during the accounting period	Complied	Notes to the Financial Statements
168 (1) (g)	Corporate donations made by the Company during the accounting period	Complied	Notes to the Financial Statements
168 (1) (h)	Information on the Directorate of the Company and its Subsidiaries during and at the end of the accounting period	Complied	Annual Report of the Board of Directors
168 (1) (i)	Amounts paid/payable to the External Auditor as audit fees and fees for other services rendered during the accounting period	Complied	Notes to the Financial Statements
168 (1) (j)	Auditors' relationship or any interest with the Company and its Subsidiaries	Complied	Annual Report of the Board of Directors
168 (1) (k)	Acknowledgement of the contents of this Report and Signatures on behalf of the Board	Complied	Annual Report of the Board of Directors

Statement of compliance under section 7.6 of the listing rules of the Colombo Stock Exchange on Annual Report Disclosure

No.	Requirement	Status of Compliance	Reference
(i)	Names of persons who were Directors of the Entity	Complied	Page 16
(ii)	Principal activities of the entity and its subsidiaries during the year, and any changes therein	Complied	Pages 85 to 86
(iii)	The names and the number of shares held by the 20 largest holders of voting and non-voting shares and the percentage of such shares held	Complied	Page 153
(iv)	The public holding percentage	Complied	Page 152
(v)	A statement of each Director's holding and Chief Executive Officer's holding in shares of the Entity at the beginning and end of each financial year	Complied	Page 151
(vi)	Information pertaining to material foreseeable risk factors of the Entity	Complied	Pages 12 to 13
(vii)	Details of material issues pertaining to employees and industrial relations of the Entity.	Complied	Pages 12 to 13
(viii)	Extents, locations, valuations and the number of buildings of the Entity's land holdings and investment properties	Complied	Pages 114 to 116
(ix)	Number of shares representing the Entity's stated capital	Complied	Page 151
(x)	A distribution schedule of the number of holders in each class of equity securities, and the percentage of their total holdings	Complied	Page 151
(xi)	Financial ratios and market price information	Complied	Page 155
(xii)	Significant changes in the Company's or its subsidiaries' fixed assets, and the market value of land, if the value differs substantially from the book value as at the end of the year	Complied	Pages 110 to 116
(xiii)	Details of funds raised through a public issue, rights issue and a private placement during the year	N/A	N/A
(xiv)	Information in respect of Employee Share Ownership or Stock Option Schemes	N/A	N/A
(xv)	Disclosures pertaining to Corporate Governance practices in terms of Section 9 of the Listing Rules	Complied	Pages 22 to 38
(xvi)	Related Party transactions exceeding 10 percent of the equity or 5 percent of the total assets of the Entity as per audited financial statements, whichever is lower	Complied	Pages 139 to 142

Statement of compliance under Section 9 of the listing rules of the Colombo Stock Exchange (CSE).

Rule Reference	Requirement	Status of Compliance	Comment / Reference
9.1 Corporate Governance			
9.1.1 9.1.3	Statement confirming the extent of compliance with the Corporate Governance Rules	Complied	The extent of compliance with Section 9 of the Listing Rules of the Colombo Stock exchange on Corporate Governance Rules is given in this table.

Rule Reference	Requirement	Status of Compliance	Comment / Reference
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 the details relating to the implementation of such policies by the Company on its website; a. Policy on the matters relating to the Board of Directors b. Policy on Board Committees c. Policy on Corporate Governance, Nominations and Re-election d. Policy on Remuneration e. Policy on Internal Code of Business conduct and Ethics for all Directors and employees, including policies on trading in the Entity's listed securities f. Policy on Risk management and Internal controls g. Policy on Relations with Shareholders and Investors h. Policy on Environmental, Social and Governance Sustainability i. Policy on Control and Management of Company Assets and Shareholder Investments j. Policy on Corporate Disclosures k. Policy on Whistleblowing l. Policy on Anti-Bribery and Corruption	Complied	The Company has formulated the policies.
9.2.2	Any waivers from compliance with the Internal Code of business conduct and ethics or exemptions granted	N/A	N/A
9.2.3	• List of policies in place as per Rule 9.2.1, with reference to website and • Any changes to policies adopted	Complied	Available at the corporate website www.chcplc.com
9.2.4	Listed Company shall make available all such policies to shareholders upon a written request being made for any such Policy	Complied	N/A
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. The said Board committees at minimum shall include: a. Nominations and Governance Committee b. Remuneration Committee c. Audit and Risk Committee d. Related Party Transactions Review Committee	Complied	N/A
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	Complied	Refer each Committee Report.
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	Complied	Refer each Committee Composition.

Rule Reference	Requirement	Status of Compliance	Comment / Reference
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 of the Company. The Company shall provide copies of the same at the request of the Exchange and/or the Securities and Exchange Commission (SEC). a. The number of shares in respect of which proxy appointments have been validly made; b. The number of votes in favour of the resolution; c. The number of votes against the resolution; and d. The number of shares in respect of which the vote was directed to be abstained	Complied	N/A
9.4.2	a. Listed Company should have a policy on effective communication and relations with shareholders and investors b. Listed Company should disclose the contact person for such communication c. The policy on relations with shareholders and investors on the process to make all Directors aware of major issues and concerns of shareholders d. Listed Entities that intend to conduct any shareholder meetings through virtual or hybrid means shall comply with the Guidelines issued by the Exchange in relation to same and published on the website of the Exchange.	Complied	N/A
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	Complied	N/A
9.5.2	Confirmation of 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	Complied	N/A
9.6 Chairperson and CEO			
9.6.1	The Chairperson of every Listed Company shall be a Non-Executive Director and the positions of the Chairperson and CEO shall not be held by the same individual, unless otherwise a SID is appointed by such Entity in terms of Rule 9.6.3 below	Complied	Chairperson is an Executive Director, hence a Senior Independent Director appointed.
9.6.2	Where the Chairperson of a Listed Company is an Executive Director and/ or the positions of the Chairperson and CEO are held by the same individual, such Entity shall make a Market Announcement within a period of one (1) month from the date of implementation of these Rules or an Immediate Market Announcement if such date of appointment and/ or combination of the said roles falls subsequent to the implementation of these Rules	Complied	Market Announcement made.

Rule Reference	Requirement	Status of Compliance	Comment / Reference
9.6.3	Report of Senior Independent Director demonstrating the effectiveness of duties	Complied	Refer SID Report.
9.6.4	Rationale for appointing Senior Independent Director	Complied	Refer SID 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 In evaluating fitness and propriety of the persons referred in these Rules, the Company shall utilise the 'Fit and Proper Assessment Criteria' set out in Rule 9.7.3 of the Listing Rules	Complied	The Company obtained an annual declaration from the Directors confirming that they have continuously satisfied the specified Fit and Proper Assessment Criteria.
9.7.2	Listed Company shall ensure that persons recommended by the Nominations and Governance Committee as Directors are fit and proper as required in terms of these Rules before such nominations are placed before the shareholders' meeting or appointments are made	Complied	N/A
9.7.3	A Director or the CEO of a Listed Company shall not be considered as 'fit and proper' if she or he does not meet with 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) respectively	N/A	N/A
9.7.4	Listed Company shall obtain declarations from its Directors and CEO on an annual basis confirming that each of them have continuously satisfied the Fit and Proper Assessment Criteria set out in the Listing Rules during the financial year concerned and satisfies the said criteria as at the date of such confirmation	Complied	N/A
9.7.5	a. Statement on Directors and CEO satisfying Fit and Proper Assessment Criteria b. Any non-compliance/s and remedial action taken	Complied	N/A
9.8 Board Composition			
9.8.1	The Board of Directors of a Listed Company shall, at a minimum, consist of five (05) Directors	Complied	Refer Board Composition.
9.8.2	Minimum Number of Independent Directors: a. The Board of Directors of a Listed Company shall include at least two (2) Independent Directors or such number equivalent to one third (1/3) of the total number of Directors of the Company at any given time, whichever is higher b. Any change occurring to this ratio shall be rectified within ninety (90) days from the date of the change	Complied	N/A
9.8.3	A Director shall not be considered independent if he/she does not meet the criteria for determining independence as set out in Rule 9.8.3 of the Listing Rules	Complied	N/A

Rule Reference	Requirement	Status of Compliance	Comment / Reference
9.8.5	a. Each Independent Director to submit a signed and dated declaration annually of his or her "independence" or "non-independence" against the criteria specified herein and in the format in Appendix 9A, containing at a minimum the content prescribed therein. b. Make an annual determination as to the "independence" or "non-independence" of each Independent Director based on the Directors' declaration and other information available to it and shall set out the names of Directors determined to be 'independent' in the Annual Report c. If the Board of Directors determines that the independence of an Independent Director has been impaired against any of the criteria set out in Rule 9.8.3, it shall make an immediate Market Announcement thereof	Complied	Signed declaration received from all the Directors. Directors who failed to fulfil the independence criteria were identified as Non-Independent Directors.
9.9 Alternate Directors			
9.9	If a Listed Company provides for the appointment of Alternate Directors, it shall be required to comply with the requirements set out in Rule 9.9 of the Listing Rules and such requirements shall also be incorporated into the Articles of Association of the Company	N/A	N/A
9.10 Disclosures relating to Directors			
9.10.1	Listed Company shall disclose its policy on the maximum number of directorships if its Board members shall be permitted to hold in the manner specified in Rule 9.5.1. In the event such number is exceeded by a Director(s), the Company shall provide an explanation for such non-compliance in the manner specified in Rule 9.5.2 of the Listing Rules	Complied	N/A
9.10.2	Listed Company shall, upon the appointment of a new Director to its Board, make an immediate Market Announcement setting out the following: • a brief resume of such Director; • his/her capacity of directorship; and, • Statement by the Company indicating whether such appointment has been reviewed by the Nominations and Governance Committee of the Company	N/A	N/A
9.10.3	Listed Company shall make an immediate Market Announcement regarding any changes to the composition of the Board Committees referred to in Rule 9.3 of the Listing Rules containing, at minimum, the details of changes including the capacity of directorship with the effective date thereof.	N/A	N/A

Rule Reference	Requirement	Status of Compliance	Comment / Reference
9.10.4	Directors details a. name, qualifications and brief profile b. nature of his/her expertise in relevant functional areas c. whether either the Director or Close Family Members has any material business relationships with other Directors d. whether Executive, Non-Executive and/or independent Director e. total number and names of companies in Sri Lanka in which the Director concerned serves as a Director and/or KMP stating whether listed or unlisted, whether functions as executive or non-executive (If the directorships are within the Group names need not be disclosed) f. number of Board meetings attended g. names of Board Committees in which the Director serves as Chairperson or a member h. Attendance of board committee meetings	Complied	N/A
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 of the Listing Rules	Complied	N/A
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	Complied	N/A
9.11.3	The Nominations and Governance Committee shall have a written terms of reference clearly defining its scope, authority, duties and matters pertaining to the quorum of meetings	Complied	Refer Nominations and Governance Committee Report
9.11.4	1. The members of the Nominations and Governance Committee shall; a. comprise of a minimum of three (03) Directors of the Listed Company, out of which a minimum of two (02) members shall be Independent Directors of the Company b. not comprise of Executive Directors of the Listed Company. 2. An Independent Director shall be appointed as the Chairperson of the Nominations and Governance Committee by the Board of Directors 3. The Chairperson and the members of the Nominations and Governance Committee shall be identified in the Annual Report of the Listed Company	Complied	Refer committee composition in Nominations and Governance Committee Report
9.11.5	The functions of the Nominations and Governance Committee	Complied	Refer Nominations and Governance Committee Report
9.11.6	The Annual Report of Listed Entities shall contain a report of the Nominations and Governance Committee signed by its Chairperson.	Complied	Refer Nominations and Governance Committee Report

Rule Reference	Requirement	Status of Compliance	Comment / Reference
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 of the Listing Rules	Complied	Refer Remuneration Committee report.
9.12.3	The Remuneration Committee shall establish and maintain a formal and transparent procedure for developing policy on Executive Directors' remuneration and for fixing the remuneration packages of individual Directors. No Director shall be involved in fixing his/her own remuneration	Complied	N/A
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	Complied	N/A
9.12.5	Remuneration Committee shall have a written terms of reference clearly defining its scope, authority, duties and matters pertaining to the quorum of meetings	Complied	Refer Remuneration Committee report.
9.12.6	1. The members of the Remuneration Committee shall; a. comprise of a minimum of three (03) Directors of the Listed Company, out of which a minimum of two (02) members shall be Independent Directors of the Company b. not comprise of Executive Directors of the Listed Company 2. An Independent Director shall be appointed as the Chairperson of the Remuneration Committee by the Board of Directors.	Complied	Refer Remuneration Committee report.
9.12.7	The functions of the Remuneration Committee	Complied	Refer Remuneration Committee report.
9.12.8	Remuneration Committee Report shall contain the following: a. Names of chairperson and members with nature of directorship b. Remuneration Policy c. The aggregate remuneration of the Executive and Non-Executive Directors	Complied	Refer Remuneration Committee report.
9.13 Audit Committee			
9.13.1	Where Listed Company does not maintain separate Committees to perform the Audit and Risk Functions, the Audit Committee of such Company shall additionally perform the Risk Functions set out in Rule 9.13 of the Listing Rules	Complied	Refer Audit Committee Report.
9.13.2	The Audit Committee shall have a written terms of reference clearly defining its scope, authority and duties	Complied	Refer Audit Committee Report.

Rule Reference	Requirement	Status of Compliance	Comment / Reference
9.13.3	1. The members of the Audit Committee shall; a. comprise of a minimum of three (03) directors of the Listed Company, out of which a minimum of two (02) or a majority of the members, whichever higher, shall be Independent Directors. b. not comprise of Executive Directors of the Listed Company. 2. The quorum for a meeting of the Audit Committee shall require that the majority of those in attendance to be independent directors. 3. The Audit Committee may meet as often as required provided that the Audit Committee compulsorily meets on a quarterly basis prior to recommending the financials to be released to the market. 4. An Independent Director shall be appointed as the Chairperson of the Audit Committee by the Board of Directors. 5. Unless otherwise determined by the Audit Committee, the CEO and the Chief Financial Officer (CFO) of a Listed Company shall attend the Audit Committee meetings by invitation. 6. The Chairperson of the Audit Committee shall be a Member of a recognised professional accounting body	Complied	Refer Audit Committee Report.
9.13.4	The functions of the Audit Committee	Complied	Refer Audit Committee Report.
9.13.5	Disclosures in the Annual Report 1. Listed Company shall prepare an Audit Committee Report which shall be included in the Annual Report 2. The Audit Committee Report shall contain disclosures set out in Rule 9.13.5 (2)	Complied	Refer Audit Committee Report.
9.14 Related Party Transactions Review Committee			
9.14.1	Listed Company shall have a Related Party Transactions Review Committee that conforms to the requirements set out in Rule 9.14 of the Listing Rules.	Complied	N/A
9.14.2	The Related Party Transactions Review Committee shall comprise of a minimum of three (03) Directors of a Listed Company, out of which two members shall be Independent Directors of the Company. It may also include executive directors, at the option of the Company. An Independent Director shall be appointed as the Chairperson of the Committee	Complied	Refer Related Party Transactions Review Committee Report
9.14.3	The functions of the Related Party Transactions Review Committee	Complied	Refer Related Party Transactions Review Committee Report

Rule Reference	Requirement	Status of Compliance	Comment / Reference
9.14.4	1. The Related Party Transactions Review Committee shall meet at least once a calendar quarter. It shall ensure that the minutes of all meetings are properly documented and communicated to the Board of Directors. 2. The members of the Related Party Transactions Review Committee should ensure that they have, or have access to, enough knowledge or expertise to assess all aspects of proposed Related Party Transactions and where necessary, should obtain appropriate professional and expert advice from an appropriately qualified person. 3. Where necessary, the Committee shall request the Board of Directors to approve the Related Party Transactions which are under review by the Committee. In such instances, the approval of the Board of Directors should be obtained prior to entering into the relevant Related Party Transaction. 4. If a Director of a Listed Company has a material personal interest in a matter being considered at a Board Meeting to approve a Related Party Transaction as required in Rule 9.14.4(3), such Director shall not: a. be present while the matter is being considered at the meeting; and, b. vote on the matter	Complied	N/A
9.14.5	Review of Related Party Transactions by the Related Party Transactions Review Committee	Complied	N/A
9.14.6	Listed Company shall obtain Shareholder approval for the Related Party Transactions set out in Rule 9.14.6 of the Listing Rules	N/A	N/A
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)	N/A	N/A
9.14.8 (1)	Related Party Disclosures Non-recurrent RPT exceeding 10% of the Equity or 5% of the Total Assets, whichever is lower (in the specified format)	Complied	Refer page 142
9.14.8 (2)	Recurrent RPT exceeding 10% of the gross revenue/income (in the specified format)	Complied	Refer Pages 140 to 142.
9.14.8 (3)	Related Party Transactions Review Committee Report • Names of the Directors comprising the Committee • Statement that committee has reviewed RPTs and communicated comments/observations to the Board • Policies and procedures adopted by the Committee	Complied	Refer Related Party Transactions Review Committee Report.
9.14.8 (4)	Affirmative declaration by the Board of Directors on compliance with RPT Rules or negative statement to that effect	N/A	N/A

Rule Reference	Requirement	Status of Compliance	Comment / Reference
9.14.9	Acquisition and disposal of assets from/to Related Parties Except for transactions set out in Rule 9.14.10, Listed Company shall ensure that neither the Company nor any of its subsidiaries, acquires a substantial asset from, or disposes of a substantial asset to, any Related Party of the Company without obtaining the approval of the shareholders of the Company by way of a Special Resolution	N/A	N/A
9.17 Additional Disclosure			
9.17	Additional disclosures by Board of Directors Declaration on following • All material interests in contracts and have refrained from voting on matters in which they were materially interested • Reviewed of the internal controls covering financial, operational and compliance controls and risk management and obtained reasonable assurance of their effectiveness and successful adherence and, if unable to make any of these declarations an explanation on why it is unable to do so; • Made themselves aware of applicable laws, rules and regulations and are aware of changes particularly to Listing Rules and applicable capital market provisions; • Disclosure of relevant areas of any material non-compliance with law or regulation and any fines, which are material, imposed by any government or regulatory authority in any jurisdiction where the Entity has operations	Complied	N/As

STATEMENT BY THE SENIOR INDEPENDENT DIRECTOR

I am pleased to present my report as the Senior Independent Director of The Kandy Hotels Co. (1938) PLC. I was appointed as the Senior Independent Director (SID) of The Kandy Hotels Co. (1938) PLC, in the financial year 2024/2025, in accordance with Rule 9.6.3 (a) of the Listing Rules of Colombo Stock Exchange as a result of the Chairman of the Company being an Executive, Non-Independent Director. It is and has been a privilege to serve in this role, overseeing independent judgment and objectivity in the board's deliberations.

The Executive Chairman is responsible to provide leadership to the Board whilst the SID is responsible to review the effectiveness of the Board's activities. Therefore, the presence of the SID will add value to the performance of the Board and support the Chairman performing his duties and responsibilities. With regard to governance related matters, as the SID, I am consulted by the Chairman and I make myself available to any Director to have confidential discussions on affairs of the Company, as and when required. In order to create long-term value for our stakeholders, I firmly believe that responsible leadership, an engaged and capable Board, an extensive policy framework, efficient controls, and an organisational culture are essential.

In the upcoming year, I will oversee and chair meetings of Non-Executive Directors and Independent Directors, enabling discussions and communication on governance related matters, ensuring that their perspectives are communicated effectively to the Chairperson and the Board. I remain committed to enhancing the governance framework and contributing to the sustainable growth of the Company.

(Sgd.)
Nirmal De Soysa Cooke
Senior Independent Director
The Kandy Hotels Co. (1938) PLC

28th August 2026

REPORT OF THE AUDIT COMMITTEE

The Board has established an Audit Committee which complies with Section 9.13 of the listing rules of the Colombo Stock Exchange. The Committee comprises of three Non-Executive Directors, the majority of whom are independent.

The Terms of Reference of the Committee sets out the authority, composition, scope and responsibilities of the Committee taking into consideration the Corporate Governance requirements of the Colombo Stock Exchange. The details relating to the implementation of such policies available in the Company on its website.

COMPOSITION

The composition of the Audit Committee (AC) is as follows. The profiles of the members are given on pages 5 to 6.

Committee Members	Nature of Directorship Held	Date of Appointment to the Committee
Mr. Indrajith Fernando - Chairman	Independent, Non-Executive	10.01.2025
Mr. Nirmal De Soysa Cooke	Independent, Non-Executive	10.02.2025
Mr. Priyantha Maddumage	Non - Independent, Non-Executive	30.09.2024

MEETINGS

The Committee met five times during the year under review and the attendance of members at these meetings is given below:

Committee Members	Nature of Directorship Held	Attendance / Eligibility
Mr. Indrajith Fernando - Chairman	Independent, Non-Executive	5/5
Mr. Nirmal De Soysa Cooke	Independent, Non-Executive	4/5
Mr. Priyantha Maddumage	Non - Independent, Non-Executive	1/5

The representatives of the Company's external auditors, Messrs. Ernst & Young participated in meetings by invitation. The Group Chief Financial Officer and the Finance Manager attended the meeting by invitation.

RESPONSIBILITIES

The Audit Committee is primarily responsible for supporting the Board by independently overseeing the accuracy and integrity of the financial statements, the effectiveness of internal control systems, and compliance with policies and relevant legal and regulatory requirements.

1. Financial Reporting

As part of its responsibility to oversee the Company's financial reporting process on behalf of the Board of Directors, the Committee assists the Board in effectively carrying out its supervisory responsibilities with the following reviews:

- Reviewing and discussing the financial information of the Company with the management on behalf of the board of directors in order to monitor the integrity of its quarterly and annual financial statements, annual report, and periodic reports prepared for disclosure requirements.
- Assessing the acceptability and appropriateness of accounting policies and the reasonableness of significant estimates and judgements. Assessing the reasonableness of the underlying assumptions based on which estimates and judgements are made when preparing the financial statements.
- Review of the policy decisions relating to the adoption of Sri Lanka Accounting Standards (SLFRSs and LKASs) applicable to the Company and monitor compliance with relevant accounting standards.

2. Internal Controls over Financial Reporting

The Committee is satisfied that the financial reporting system is effectively designed to provide the Board, regulatory authorities, and management with accurate, appropriate, and timely information, and that the adequacy, efficiency, and effectiveness of internal controls, and governance processes are sufficient to avoid, mitigate, and transfer current and evolving risks.

3. External Audit

Overseeing the appointment, compensation, resignation, and dismissal of external auditors is vested in the Committee. The functions are inclusive of the review of the external audit function, its costs and effectiveness, and monitoring the external auditor's independence.
The Committee reviewed and monitored the independence and objectivity of the External Auditors and also assessed the effectiveness of their audit process, considering the relevant professional and regulatory requirements.

The independence and objectivity of the external auditors were reviewed by the Committee and concluded that the services outside the scope of statutory audit provided by the external auditors have not impaired their independence.

Prior to the start of the audit for the financial year, the Committee addressed with the External auditors their audit plan, scope, and methodology for performing the annual audit. There was no scope limitation, and management provided all information and explanations sought by the auditors.

Messrs. Ernst & Young, Chartered Accountants were re-appointed as external auditors of the Company at the Annual General Meeting held on 26th September 2025.

KEY FUNCTIONS PERFORMED

- Discussed with external auditors the scope of the audit, audit approach, and procedures.
- Determined that Messrs. Ernst and Young, Chartered Accountants were independent based on written representation.
- Obtained an assurance from the management that financial reports have been properly maintained and the financial statements provide true and fair view.
- Ensured that prudent accounting practices are applied to provide stakeholders with the most accurate and meaningful financial information.
- Reviewed the Financial statements together with the External auditors, Messrs. Ernst and Young, prior to release to the regulators, shareholders, and the general public.
- Clarify the existing disclosures and level of compliance with financial reporting standards such as those specified under the Companies Act No. 7 of 2007 and any other relevant financial and governance reporting requirements.
- Reviewed the Letter of Representation issued to the External Auditors by the management.
- Concluded that the non-audit services obtained from the auditors do not impair the independence and objectivity of the auditors.
- Evaluated external auditors based on the audit deliverables and the quality assurance initiatives and recommendations.
- Met with the auditors to review the management letter and the responses from the management. And followed up on the issues raised.

Having reviewed the effectiveness of the external auditors, the members of the Audit Committee have concurred to recommend to the Board of Directors the re-appointment of Messrs. Ernst and Young, Chartered Accountants, as Auditors for the financial year ending 31st March 2027, subject to the approval of the shareholders at the 97th Annual General Meeting.

REPORTING TO THE BOARD

The proceedings of the Committee meetings with adequate details were discussed and regularly reported to the Board of Directors providing board members with access to the Committee's deliberations.

The Board apprised the key issues considered, recommended, and approved by the Committee, and it analyses and accepts the Committee's recommendations, if deemed appropriate.

PROFESSIONAL ADVICE

The Committee has the authority to seek external professional advice from time to time on matters within its purview.

4. Sustainability reporting

The Company is fully committed to adopting the Sri Lanka Financial Reporting Standards for Sustainability, namely SLFRS S1 (General Requirements for Disclosure of Sustainability-related Financial Information) and SLFRS S2 (Climate-related Disclosures), in alignment with the directives issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and the Colombo Stock Exchange (CSE).

On behalf of the Board Audit Committee

(Sgd.)
Indrajith Fernando
Chairman of the Board Audit Committee

28th August 2026

REPORT OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

The Board has established a Related Party Transactions Review Committee which complies with Section 9.14 of the listing rules of the Colombo Stock Exchange. The Terms of Reference of the Committee sets out the authority, composition, scope and responsibilities of the Committee taking into consideration the Corporate Governance requirements of the Colombo Stock Exchange. Accordingly, the Committee comprises of three Non-Executive Directors, the majority of whom are independent.

COMPOSITION

The Composition of the Related Party Transactions Review Committee (RPT) is as follows: The profiles of the members are given on pages 5 to 6.

Committee Members	Nature of Directorship Held	Date of Appointment to the Committee
Mr. Indrajith Fernando - Chairman	Independent, Non-Executive	10.01.2025
Mr. Nirmal De Soysa Cooke	Independent, Non-Executive	10.02.2025
Mr. Priyantha Maddumage	Non - Independent, Non-Executive	30.09.2024

MEETINGS

The Committee met four times during the year under review and the attendance of members at these meetings is given below:

Committee Members	Nature of Directorship Held	Attendance / Eligibility
Mr. Indrajith Fernando - Chairman	Independent, Non-Executive	4/4
Mr. Nirmal De Soysa Cooke	Independent, Non-Executive	3/4
Mr. Priyantha Maddumage	Non - Independent, Non-Executive	1/4

RESPONSIBILITIES

The Committee's primary focus is to review all proposed Related Party Transactions in accordance with Rule 9.14 of the Colombo Stock Exchange Listing Rules, ensuring compliance prior to transaction completion. Key responsibilities include:

- Evaluating proposed Related Party Transactions quarterly and recommending actions to ensure compliance with the Listing Rules.
- Reviewing post-quarter confirmations of Related Party Transactions.
- Reviewing thresholds for transactions requiring shareholder approval or immediate market disclosure.
- Assessing the criteria for Key Management Personnel.
- Regularly reporting the Committee's activities to the Board.

KEY FUNCTIONS PERFORMED

- Quarterly disclosures were obtained from the Key Management Personnel of any proposed related party transactions and confirmations of any post-quarter transactions.
- Quarterly disclosures were obtained from all Group companies of any proposed related party transactions and confirmations of any post-quarter transactions and all disclosures are tabled at each Related Party Transactions Review Committee Meeting,
- Non-recurrent related party transactions which in aggregate value exceeding 10% of the equity or 5% of the total assets whichever is lower, as per the Audited Financial Statements of the previous year, were communicated to the Committee.
- Recurrent related party transactions exceeding 10% of the gross revenue/ income of the Company as per the Audited Financial Statements of the previous year, if any, were communicated to the Committee.
- Reviewed all proposed related party transactions as well as post quarter confirmations.

RECURRENT RELATED PARTY TRANSACTIONS

All recurrent related party transactions, whose aggregate value exceeds 10% of the gross revenue/income of the Company as per the audited financial statements of 31st March 2026, are disclosed under Note 33.5 on pages 142 to the Financial Statements as required in Section 9.14.8.2 of the listing rules.

NON-RECURRENT RELATED PARTY TRANSACTIONS

All non-recurrent related party transactions entered into the Company where the aggregate value of the Non-Recurrent Related Party Transactions exceeds 10% of the equity or 5% of the total assets whichever is lower, of the Company as per the audited financial statements as at 31st March 2026, are disclosed under Note 33.6 on pages 142 to the Financial Statements as additional disclosures are required in the 2025/26 Annual Report under Colombo Stock Exchange listing Rule 9.14.8 (1) and the Code of Best Practices on Related Party Transactions under the Security Exchange Commission Directive issued under Section 13(c) of the Security Exchange Commission Act.

REPORTING TO THE BOARD

The proceedings of the Committee meetings were regularly presented to the Board of Directors with comments and observations allowing board members access to the Committee's deliberations.

The Board apprised the key issues considered, recommended, and approved by the Committee, and it analyses and accepts the Committee's recommendations, if deemed appropriate.

DECLARATION

Declarations are obtained from each Key Management Personnel (KMP) of the Company and its subsidiaries for the purpose of identifying related parties on a quarterly and annual basis to determine Related Party Transactions and to comply with the disclosure requirements, if any. Self-declarations are obtained from each Director/Key Management Personnel of the Company for the purpose of identifying parties related to them.

The Directors declare that they are in compliance with Section 9.14.8.(4) of the listing rules of the CSE pertaining to Related Party Transactions during the financial year ended 31st March 2026.

The Directors of the Company declare that there were no related party transactions required to be disclosed under the listing rules of the CSE other than those disclosed in the financial statements.

On behalf of the Related Party Transactions Review Committee

(Sgd.)
Mr. Indrajith Fernando
Chairman - Related Party Transactions Review Committee

28th August 2026

REPORT OF THE REMUNERATION COMMITTEE

The Board has an established Remuneration Committee which complies with Section 9.12 of the Listing Rules of Colombo Stock Exchange. The Terms of Reference of the Committee sets out the authority, composition, scope and responsibilities of the Committee taking into consideration the Corporate Governance requirements of the Colombo Stock Exchange. Accordingly. The Committee comprises of three Non-Executive Directors, the majority of whom are independents.

COMPOSITION

The Composition of the Remuneration Committee (RC) is as follows: The profiles of the members are given on pages 5 to 6.

Committee Members	Nature of Directorship Held	Date of Appointment to the Committee
Mr. Nirmal De Soysa Cooke - Chairman	Independent, Non-Executive	10.02.2025
Mr. Indrajith Fernando	Independent, Non-Executive	10.02.2025
Mr. Priyantha Maddumage	Non - Independent, Non-Executive	30.09.2024

Aggregate remuneration paid to the directors of the Company is disclosed in Note 33.7 to the financial statements in page 142 of the Annual Report.

RESPONSIBILITIES

The Committee has the power to evaluate, decide, and recommend to the Board of Directors any items relevant to the Company's human resource management, which shall explicitly include the following.

- Formulating remuneration policies for Directors and Key Management Personnel (KMP), including recommendations on salaries, benefits, and other performance-based incentives.
- Advising the KMP heading HR department of guidelines, policies and procedures pertaining to remuneration structure of all staff and overseeing the implementation thereof.
- Ensure that the performance-related component of remuneration is designed and adjusted to align employees' interests with the interests of the company's key stakeholders and to support its sustainable growth.
- Advise on major organisational changes and succession planning.
- Reviewing, commenting on, and reporting to the Board on HR-related matters, including development plans, talent retention, and the career development of potential successors.
- Make recommendations to the Board of Directors on new managerial expertise that is required.
- Review the Committee's Terms of Reference (ToR) on a regular basis to ensure that it continuously reflects industry best practices.
- Evaluate the Committee's performance, based on the requirements.

Furthermore, the Committee may seek external companies to conduct salary surveys in order to make well-informed decisions about the Company's salaries and standards.

REPORTING TO THE BOARD

The proceedings of the Committee meetings, will be presented to the Board of Directors with comments and observations allowing board members access to the Committee's deliberations.

The Board will be apprised of the key issues considered, recommended, and approved by the Committee, and it analyses and accepts the Committee's recommendations, if deemed appropriate.

On behalf of the Board Remuneration Committee

(Sgd.)
Nirmal De Soysa Cooke
Chairman -Remuneration Committee

28th August 2026

REPORT OF THE NOMINATIONS AND GOVERNANCE COMMITTEE

The Board has an established Nomination and Governance Committee which complies with Section 9.11 of the Listing Rules of Colombo Stock Exchange. The Committee comprises of three Non-Executive Directors, the majority of whom are independent.

The Terms of Reference of the Committee sets out the authority, composition, scope and responsibilities of the Committee taking into consideration the Corporate Governance requirements set out in the section 9.11.6 of listing Rules of the Colombo Stock Exchange. The details relating to the implementation of such policies available in the Company on its website.

COMPOSITION

The Composition of the Nomination and Governance Committee (NGC) is as follows: The profiles of the members are given on pages 5 to 6.

Committee Members	Nature of Directorship Held	Date of Appointment to the Committee
Mr. Nirmal De Soysa Cooke - Chairman	Independent, Non-Executive	10.02.2025
Mr. Indrajith Fernando	Independent, Non-Executive	10.02.2025
Mr. Priyantha Maddumage	Non - Independent, Non-Executive	30.09.2024

MEETINGS

The Committee met once during the year under review to deliberate on the performance evaluation of Directors, and re-election of Directors retiring at the Annual General Meeting 2025.

Committee Members	Nature of Directorship Held	Attendance / Eligibility
Mr. Nirmal De Soysa Cooke - Chairman	Independent, Non-Executive	1/1
Mr. Indrajith Fernando	Independent, Non-Executive	1/1
Mr. Priyantha Maddumage	Non - Independent, Non-Executive	0/1

RESPONSIBILITIES

The Committee operates under a documented policy and established procedures for nominating Directors to the Board. The functions of the Nomination Committee include:

- Ensuring that the Board of Directors has an appropriate balance of skills, experience, and diversity to effectively fulfil its responsibilities.
- Identifying and recommending qualified candidates for appointment to the Board and its Committees, ensuring alignment with Company's strategic goals.
- Evaluating the performance of individual Directors and the Board as a whole and recommending actions for improvement when necessary.
- Developing and overseeing succession plans for Board members and key management positions to ensure continuity of leadership.
- Promoting best practices in corporate governance, ensuring compliance with applicable laws, regulations, and standards.
- Regularly reviewing and recommending updates to governance policies, including the Company's Articles of Association and other relevant documents.
- Identifying training and development needs for Directors and key management personnel to enhance their effectiveness.
- Ensuring that high ethical standards and integrity are upheld within the Board and the Company.
- Facilitate communication between the Board and stakeholders, ensuring transparency and accountability in governance practices

INDEPENDENCE OF DIRECTORS

The Committee evaluated the independence of the current Board of Directors based on the declarations submitted by the respective Directors in accordance with the requirements of the revised Listing Rules of the Colombo Stock Exchange. The Committee determined that as at 31st March 2026 two out of six Directors were Independent as per the criteria set out in the Listing Rules of the Colombo Stock Exchange for determining independence.

REPORTING TO THE BOARD

The proceedings of the Committee meeting were presented to the Board of Directors with comments and observations allowing board members access to the Committee's deliberations.

Report of the Nomination and Governance Committee

The Board will be apprised of the key issues considered, recommended, and approved by the Committee, and it analyses and accepts the Committee's recommendations, if deemed appropriate.

The Committee affirms that the Company complies with the Corporate Governance Rules contained in Section 9 of the Listing Rules of the Colombo Stock Exchange and the Code of Best Practice on Corporate Governance 2023, issued by the Institute of Chartered Accountants of Sri Lanka. The measures taken and the extent to which the Company has complied with the said Section and the Code are given on pages 22 to 38 of the Corporate Governance Report of this Annual Report.

On behalf of the Board Nomination and Governance Committee

(Sgd.)
Nirmal De Soysa Cooke
Chairman - Nomination and Governance Committee

28th August 2026

SUSTAINABILITY-RELATED FINANCIAL DISCLOSURES

1. ABOUT THIS REPORT

1.1 Reporting Objective

This report presents sustainability-related financial information of The Kandy Hotels Company (1938) PLC and its Group (KHC Group) that could reasonably be expected to affect the Group's prospects. Such information includes sustainability-related risks and opportunities that could reasonably be expected to affect the Group's cash flows, access to finance or cost of capital over the short, medium or long term.

The Group's sustainability-related risks and opportunities arise from its dependencies and impacts across its value chain and its interactions with stakeholders, society, the economy and the natural environment.

The report is prepared primarily for the primary users of general purpose financial reports, including existing and potential investors, lenders and other creditors, to support their assessment of the Group's prospects and decision-making.

1.2 Reporting Standards and Frameworks

The KHC Group has prepared this report with reference to the following standards and frameworks:

- Sri Lanka Sustainability Disclosure Standard – SLFRS S1: General Requirements for Disclosure of Sustainability-related Financial Information
- Sri Lanka Sustainability Disclosure Standard – SLFRS S2: Climate-related Disclosures
- GHG Protocol: A Corporate Accounting and Reporting Standard, where relevant to the measurement and reporting of greenhouse gas emissions
- SASB Standards – Hotels & Lodging, where relevant, to identify and provide industry-based sustainability-related information that is applicable to the Group

SLFRS S1 and SLFRS S2 constitute the primary reporting requirements for the sustainability-related financial disclosures presented in this report. Other frameworks and standards are used, where relevant, to support the identification, measurement and presentation of specific sustainability-related information and are not intended to replace the requirements of SLFRS S1 or SLFRS S2.

The scope of the sustainability-related financial disclosures presented in this report covers sustainability-related risks and opportunities that could reasonably be expected to affect the Group's prospects, including its cash flows, access to finance or cost of capital over the short, medium or long term. Sustainability-related risks and opportunities that could not reasonably be expected to affect the Group's prospects are outside the scope of these disclosures.

1.3 Reporting Boundary

The sustainability-related financial disclosures in this report relate to the same reporting entity as the Group's consolidated financial statements, unless otherwise stated for a specific disclosure or metric.

The entities included within the KHC Group reporting boundary are presented below:

Entity	Subsidiary	Ownership / Financial Interest	Country	Included / Excluded
The Kandy Hotels Company (1938) PLC (Parent)	Parent Company		Sri Lanka	Included
1. United Hotels Company Limited	Subsidiary of KHC	100% – Under KHC	Sri Lanka	Included
i. EKHO Surf	Hotel property under United Hotels Company Limited	Under United Hotels Company Limited	Sri Lanka	Included
ii. EKHO Lake House	Hotel property under United Hotels Company Limited	Under United Hotels Company Limited	Sri Lanka	Included
iii. The Lake Hotel	Hotel property under United Hotels Company Limited	Under United Hotels Company Limited	Sri Lanka	Excluded for FY2026
iv. Tissa Resort (Private) Limited	Subsidiary of United Hotels Company Limited	100% – Under United Hotels Company Limited	Sri Lanka	Included

Entity	Subsidiary	Ownership / Financial Interest	Country	Included / Excluded
i. EKHO Safari	Hotel property under Tissa Resort (Private) Limited	Under Tissa Resort (Private) Limited	Sri Lanka	Included
v. Ceylon Hotels Maldives (Private) Limited	Subsidiary of United Hotels Company Limited	100% – Under United Hotels Company Limited	Sri Lanka	Included
2. Queen's Hotel	Hotel property directly under KHC	100% – Under KHC	Sri Lanka	Included
3. Hotel Suisse	Hotel property directly under KHC	100% – Under KHC	Sri Lanka	Included
4. Suisse Hotel (Pvt) Limited	Subsidiary of KHC	100% – Under KHC	Sri Lanka	Included
Suisse Hotel Kandy (Pvt) Limited	Entity under Suisse Hotel (Pvt) Limited	50% - Financial interest – Under Suisse Hotel (Pvt) Limited	Sri Lanka	Included
Radisson Hotel Kandy	Hotel property under Suisse Hotel Kandy (Pvt) Limited	Under Suisse Hotel Kandy (Pvt) Limited	Sri Lanka	Included

Where a particular sustainability-related metric is prepared using a measurement boundary that differs from the Group's financial reporting boundary, the applicable boundary, methodology and basis for inclusion or exclusion are clearly identified in the relevant section of this report.

1.4 Reporting Period

This report covers the financial year from 1 April 2025 to 31 March 2026, consistent with the reporting period of the Group's consolidated financial statements.

Reporting currency: Sri Lankan Rupees (LKR)

Reporting cycle: Annual, aligned with the Group's financial reporting cycle.

1.5 Basis of Consolidation

The sustainability-related financial disclosures are prepared with reference to the Group's financial reporting boundary and the entities included in the consolidated financial statements.

The Group reporting boundary includes the parent company and relevant subsidiaries in accordance with the basis of consolidation applied in the Group's audited financial statements. Associates, joint ventures and other investments are considered separately where their sustainability-related risks, opportunities or impacts are relevant to the disclosures required by SLFRS S1 and SLFRS S2.

Where a specific sustainability-related metric requires a different measurement or reporting boundary, the basis applied is described within the relevant disclosure.

1.6 Statement of Compliance

KHC Group confirms that its sustainability-related financial disclosures for the year ended 31 March 2026 have been prepared in accordance with the Sri Lanka Sustainability Disclosure Standards, SLFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and SLFRS S2 Climate-related Disclosures, applying the applicable transition provisions and reliefs available for first-time application.

The Group has applied the applicable transition provisions and reliefs available for first-time application of SLFRS S1 and SLFRS S2, as described in Section 17 – Transitional Provisions of this report. Where applicable, the use of individual transition provisions and reliefs is identified within the relevant sections of these sustainability-related financial disclosures.

1.7 Forward-looking Statement

This report contains forward-looking information and statements relating to KHC Group's sustainability-related risks and opportunities, climate-related strategy, plans, targets, commitments and anticipated financial effects.

Such statements are based on assumptions, estimates and information available at the reporting date and involve uncertainties and risks. Actual outcomes may differ materially from those expressed or implied in forward-looking statements due to changes in economic, environmental, regulatory, technological, market and other conditions.

The Group does not undertake an obligation to update forward-looking statements except where required by applicable laws, regulations or reporting requirements.

1.8 Connected Information

The sustainability-related financial disclosures presented in this report are intended to be read together with the KHC

Group's financial statements and other information included in the Group's annual reporting.

The Group seeks to ensure connectivity between its sustainability-related financial disclosures and the information presented in its financial statements, particularly where sustainability-related and climate-related risks and opportunities may reasonably be expected to affect the Group's financial position, financial performance, cash flows, access to finance or cost of capital.

Where relevant, cross-references are provided to facilitate understanding of the relationship between the sustainability-related financial disclosures and related information presented elsewhere in the Group's annual reporting.

2. KHC GROUP AT A GLANCE

2.1 Corporate Profile

The Kandy Hotels Company (1938) PLC (KHC) is a public quoted company incorporated and domiciled in Sri Lanka and listed on the Colombo Stock Exchange. The Company's registered office is located at No. 327, Union Place, Colombo 02. The Group operates primarily in the hospitality and tourism industry.

The Group's principal activities comprise the operation of hotels and provision of hospitality-related services. KHC directly owns and operates Queen's Hotel and Hotel Suisse in Kandy. Through its subsidiaries, the Group also operates EKHO Surf, EKHO Lake House, The Lake Hotel and EKHO Safari, while its interest in Suisse Hotel Kandy (Pvt) Ltd provides a 50% interest in the company owning Radisson Hotel Kandy.

Company History and Key Milestones

The Company traces its origins to 1927 , as reflected in its corporate identity and name. The Group has subsequently expanded its hospitality portfolio through acquisitions, investments and the development and refurbishment of hotel properties.

A significant milestone was the consolidation of United Hotels Company Limited (UHC) into KHC during 2023/24, resulting in UHC becoming a fully owned subsidiary of KHC. UHC subsequently forms part of the Group's broader portfolio together with its subsidiaries.

More recently, the Group completed the refurbishment of Hotel Suisse, Kandy, restoring and upgrading the property while retaining its colonial heritage. The Group also continued investment in its hotel portfolio, including the refurbished EKHO Surf and investment in Suisse Hotel Kandy (Pvt) Ltd, the owner of Radisson Hotel Kandy.

Business Overview

The Group's hospitality operations include:

- Hotel accommodation and room services;
- Food and beverage operations;
- Guest and related hospitality services;
- Hotel property management and operations; and
- Related tourism and hospitality activities.

The Group's hotel portfolio includes properties in Kandy, Bentota, Polonnaruwa and Tissamaharama, together with its investment in Radisson Hotel Kandy.

Markets Served

KHC serves both domestic and international tourism markets. The Group's geographic diversification across key Sri Lankan tourism destinations enables it to participate in different tourism circuits and visitor segments.

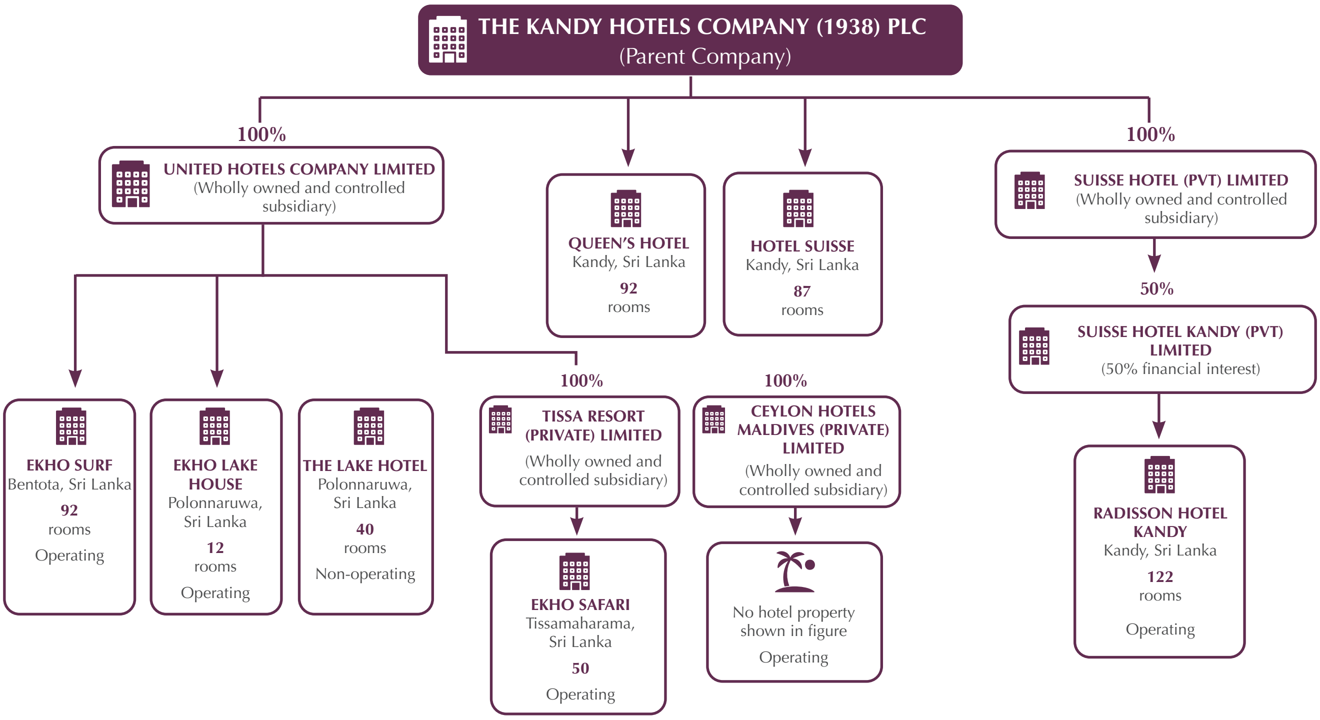
The 2024/25 Annual Report identifies Europe and Asia-Pacific as major regional source markets for Sri Lankan tourism, with India, Russia, the United Kingdom, Germany and China among the significant individual source markets.

For the sustainability-related financial disclosures, this exposure to domestic and international tourism is relevant because changes in tourism demand, climate conditions, destination attractiveness, extreme weather and broader environmental conditions may influence hotel occupancy, revenue and asset utilisation.

2.2 Group Structure

The KHC Group comprises The Kandy Hotels Company (1938) PLC, its wholly owned subsidiaries and sub-subsidiaries, and its interest in a joint venture.

The Group structure is presented below:



Based on the Group structure disclosed in the KHC Annual Report 2024/25, KHC holds a 100% interest in United Hotels Company Limited and Suisse Hotel (Pvt) Limited. United Hotels Company Limited has two wholly owned subsidiaries, Tissa Resort (Pvt) Limited and Ceylon Hotels Maldives (Pvt) Limited, each with a 100% Group interest.

KHC also holds a 100% interest in Suisse Hotel (Pvt) Limited, which holds a 50% interest in Suisse Hotel Kandy (Pvt) Limited. Suisse Hotel Kandy (Pvt) Limited is classified as a joint venture of the Group and is accounted for using the equity method of accounting. The joint venture owns Radisson Hotel Kandy.

The Group structure and ownership relationships are considered in determining the reporting boundary for the sustainability-related financial disclosures under SLFRS S1 and SLFRS S2. The reporting boundary is described further in Section 1.3 – Reporting Boundary.

2.3 Business Segments

The KHC Group's principal business activity is the hospitality industry. Based on the Group's financial reporting, no separate distinguishable operating segments are identified for reporting purposes.

Business Segment	Key Activities
Hospitality / Hotels	Hotel accommodation, room operations, food and beverage services, guest services, hotel property operations and other related hospitality activities.

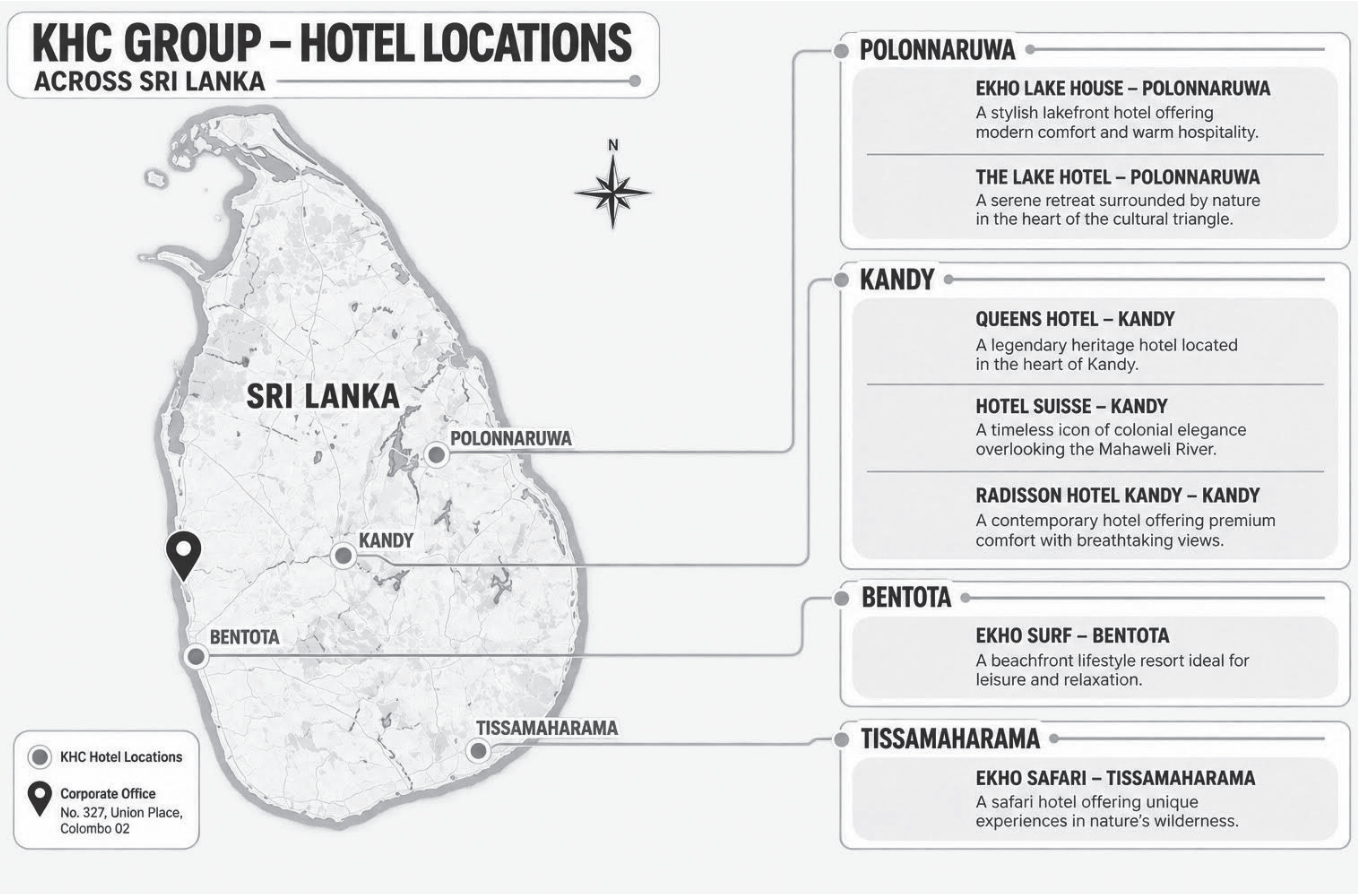
The Group's 50% interest in Suisse Hotel Kandy (Pvt) Ltd, which owns Radisson Hotel Kandy, is not presented as a separate business segment. The investment is disclosed as part of the Group structure and is accounted for using the equity method.

2.4 Geographic Presence

The Group has hospitality operations across several key tourism destinations in Sri Lanka.

Geographic Location	Hotel / Operation
Kandy	Queen's Hotel
Kandy	Hotel Suisse
Kandy	Radisson Hotel Kandy (50% joint venture interest)
Bentota	EKHO Surf
Polonnaruwa	EKHO Lake House
Polonnaruwa	The Lake Hotel (not operated FY26)
Tissamaharama	EKHO Safari

The Group's geographic presence provides context for the identification and assessment of sustainability-related and climate-related risks and opportunities, particularly location-specific physical climate risks, water availability, extreme weather events and changes in tourism patterns.



2.5 Key Financial Highlights

Indicator	FY [2026]	FY [2025]
Revenue (LKR Mn.)	2,215.6	1,506.1
Profit / (Loss) (LKR Mn.)	214.7	111.9
Total Assets (LKR Mn.)	15,579.4	14,701.6
Number of Employees	515	482
Occupancy Rate (%)	49	48

The FY2026 figures are based on the Condensed Consolidated Interim Financial Statements. Group revenue increased from approximately LKR 1,506.1 million in FY2025 to LKR 2,215.6 million in FY2026, while profit for the year increased from approximately LKR 111.9 million to LKR 214.7 million.

Total Group assets were approximately LKR 15,579.4 million at 31 March 2026, compared with approximately LKR 14,701.6 million at 31 March 2025.

3. BUSINESS MODEL AND VALUE CREATION

3.1 Business Model

The KHC Group's business model is centered on the operation of hotel properties and the provision of accommodation, food and beverage and related hospitality services. The Group's operations are supported by its hotel properties and infrastructure, employees, financial resources, natural resources and relationships with customers, suppliers and other stakeholders.

The principal resources and dependencies supporting the Group's business model are:

Sustainability-Related Financial Disclosures

Input / Capital	KHC Group's Key Inputs / Dependencies
Financial Capital	Equity, operating cash flows and other financial resources supporting hotel operations, maintenance, refurbishment and investment.
Human Capital	Employees and hospitality personnel supporting hotel operations, guest services and business activities.
Natural Capital	Water, energy and other natural resources required for hotel operations.
Intellectual Capital	Hospitality experience, operational knowledge, brands and customer relationships.
Manufactured Capital	Hotel buildings, rooms, facilities, equipment and other infrastructure supporting hotel operations.
Social and Relationship Capital	Relationships with guests, suppliers, employees, tourism partners and other stakeholders.

The Group uses these resources and relationships through its hotel operations to provide accommodation, food and beverage and related hospitality services. These activities generate revenue and support customer experience, employment, asset utilisation and the continued operation of the Group's business.

Business Model Flow

Inputs & Dependencies

Financial Resources | Human Resources | Water & Energy | Hotel Assets & Infrastructure | Hospitality Knowledge & Brands | Stakeholder Relationships

Business Activities

Hotel Accommodation | Food & Beverage Operations | Guest Services | Property Operations & Maintenance

Outputs

Accommodation Services | Food & Beverage Services | Guest Services | Employment & Economic Activity

Outcomes / Value Creation

Revenue Generation | Customer Experience | Asset Utilisation | Business Continuity | Long-term Resilience

3.2 Value Chain

The KHC Group's value chain comprises upstream suppliers and service providers, the Group's own hotel operations and downstream customers and tourism-related business partners.

Value Chain Stage	Key Activities / Relationships
Upstream	Food and beverage suppliers, energy and utility providers, hotel amenities and other goods and service providers
Own Operations	Hotel accommodation, food and beverage operations, guest services, property maintenance and refurbishment
Downstream	Hotel guests, travel agents, tour operators, corporate customers and other tourism-related partners

KHC Group Value Chain Flow

Upstream

Suppliers & Service Providers
Food & Beverage | Energy & Utilities | Hotel Amenities | Maintenance & Other Services

Own Operations

KHC Hotel Operations
Accommodation | Food & Beverage | Guest Services | Property Operations & Maintenance

Downstream

Customers & Tourism Partners
Hotel Guests | Travel Agents | Tour Operators | Corporate Customers

The Group's business model and value chain provide the context for identifying sustainability-related and climate-related risks and opportunities that could reasonably be expected to affect the Group's prospects.

3.3 Value Creation Process

The KHC Group creates value through the effective operation of its hotel portfolio, provision of quality hospitality services, management of its resources and relationships, and generation of revenue from its hospitality activities.

Value Creation Area	Contribution to KHC Group
Hotel Operations	Provides accommodation, food and beverage and related hospitality services and generates revenue.
Human Capital	Supports service delivery, operational performance and guest experience.
Hotel Assets and Infrastructure	Enables the Group to provide hospitality services and maintain its operating capacity.
Natural Resources	Water and energy support the continued operation of the Group's hotels.
Customer Relationships	Supports occupancy, customer satisfaction, reputation and revenue generation.
Supplier and Business Relationships	Supports the availability of goods and services required for hotel operations.

The Group recognises that the availability and effective management of these resources and relationships are important to the resilience and continuity of its business model. Sustainability-related and climate-related risks and opportunities are considered in assessing matters that could reasonably be expected to affect the Group’s prospects.

The Group considers value creation over the short, medium and long term, taking into account the continued operation of its hotel portfolio, management of its resources and infrastructure, customer expectations and relevant sustainability-related and climate-related risks and opportunities.

Short-, Medium- and Long-term Considerations

Time Horizon	KHC Group Considerations
Short Term	Maintaining hotel operations, managing operating costs, delivering guest services and maintaining essential resources and infrastructure.
Medium Term	Maintaining and improving hotel assets, operational efficiency and resilience, and responding to changing tourism and customer expectations.
Long Term	Maintaining the resilience and competitiveness of the hotel portfolio and managing sustainability-related and climate-related risks and opportunities that may affect long-term business prospects.

4. SUSTAINABILITY GOVERNANCE

This section describes the governance processes through which KHC Group oversees sustainability-related and climate-related risks and opportunities and considers their potential implications for the Group’s business, strategy and prospects.

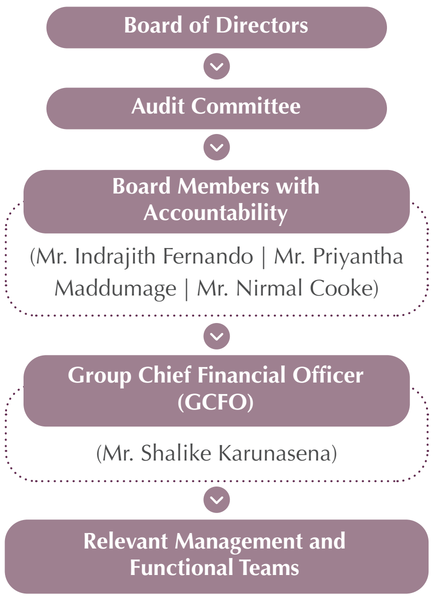
4.1 Sustainability Governance Framework

Sustainability-related and climate-related matters are considered within the Group’s broader corporate governance and risk management framework. The Audit Committee has been identified as the Board-level committee responsible for sustainability-related and climate-related oversight.

The Board members identified as having accountability for sustainability-related and climate-related matters are Mr. Indrajith Fernando, Mr. Priyantha Maddumage and Mr. Nirmal Cooke.

Day-to-day responsibility for sustainability-related and climate-related matters has been assigned to Mr. Shalike Karunasena, Group Chief Financial Officer (GCFO).

The governance structure relevant to sustainability-related and climate-related matters is presented below:



4.2 Board Oversight

As at the reporting period, a formal periodic reporting mechanism specifically dedicated to sustainability-related and climate-related matters to the Board or Audit Committee had not yet been established.

The Board and the Audit Committee consider sustainability-related and climate-related matters within the context of the Group's broader corporate governance and risk management framework.

The Group is in the process of strengthening its governance arrangements to support the regular consideration and oversight of material sustainability-related and climate-related risks and opportunities, including their potential implications for the Group's business, strategy and prospects.

4.3 Board Competency and Management's Role

The Group recognises the importance of maintaining appropriate knowledge and competencies for effective oversight of sustainability-related and climate-related matters.

During the reporting period, no formal sustainability, ESG or climate-related training was provided to Board members. The Board does not currently undertake a formal assessment of its sustainability-related and climate-related skills and competencies. No external sustainability or climate-related advisors were engaged during the reporting period.

Management is responsible for supporting the identification and consideration of sustainability-related and climate-related matters relevant to the Group's operations and for coordinating the information required for sustainability-related financial disclosures.

As at the reporting date, the Group had not established a dedicated Sustainability Working Group or Committee, and formal reporting of sustainability-related and climate-related matters from management to the Board or Audit Committee had not yet been undertaken.

The Group is developing its processes and controls for sustainability-related data collection, monitoring, reporting and quality assurance.

4.5 Executive Remuneration Linkage

As at the reporting date, the Group had not established specific sustainability-related or climate-related performance indicators within executive remuneration arrangements.

4.6 Management's Role

Day-to-day responsibility for sustainability-related and climate-related matters has been assigned to Mr. Shalike Karunasena, Group Chief Financial Officer (GCFO).

Management is responsible for supporting the identification and consideration of sustainability-related and climate-related matters relevant to the Group's operations and for coordinating the information required for sustainability-related financial disclosures.

As at the reporting date, the Group had not established a dedicated Sustainability Working Group or Committee, and formal reporting of sustainability-related and climate-related matters from management to the Board or Audit Committee had not yet been undertaken.

The Group is developing its processes and controls for sustainability-related data collection, monitoring, reporting and quality assurance.

5. STAKEHOLDER ENGAGEMENT AND MATERIALITY

5.1 Stakeholder Identification

The Group identified key stakeholder groups that are relevant to its business activities, operating context, value-chain relationships and sustainability-related risks and opportunities. Stakeholder identification considered the nature of the Group's relationships, dependencies and impacts, as well as the information needs and expectations relevant to the Group's long-term business resilience.

Stakeholder Group	Relevance to the Group
Investors / Shareholders	Provide financial capital and have an interest in the Group's financial performance, long-term resilience, sustainability-related risks and opportunities, and value creation.
Employees	Critical to service delivery, operational continuity, productivity, guest experience, health and safety, and long-term organisational capability.
Guests / Customers	Directly influence revenue, reputation, customer loyalty and business performance. Their expectations are relevant to service quality, guest safety, food safety and sustainable hospitality practices.
Regulators	Establish and enforce legal and regulatory requirements relevant to the Group's operations, including environmental, health and safety, labour and other compliance requirements.

Stakeholder Group	Relevance to the Group
Suppliers	Support operational continuity and influence the availability, quality, cost and sustainability of products and services procured by the Group.
Local Communities	The Group's operations may affect surrounding communities through employment, economic contribution, environmental impacts and community relationships.

5.2 Stakeholder Engagement Process

The Group engages with identified stakeholder groups through various formal and informal channels. Stakeholder engagement provides an important input into understanding stakeholder-related risks and opportunities relevant to the Group's operations and value chain.

Information obtained through stakeholder engagement was considered during the identification and validation stages of the materiality assessment, particularly in understanding stakeholder concerns, expectations and sustainability-related matters relevant to the Group's business activities, operating context and value-chain relationships.

Stakeholder concerns and expectations were not applied as a separate numerical stakeholder-significance scoring criterion. Instead, stakeholder engagement information was considered as an input to the overall assessment, together with the Group's operating context, potential financial impacts, likelihood, nature and severity of impacts, regulatory requirements and management judgement.

Stakeholder	Engagement Method	Frequency	Key Issues / Areas Considered in the Materiality Assessment
Investors / Shareholders	Annual General Meetings, annual reports, investor communications and meetings	Annual / As required	Financial performance, business risks, long-term resilience, sustainability-related risks and opportunities, and matters that may affect cash flows, access to finance or cost of capital
Employees	Employee meetings, training programmes, internal communications, surveys and grievance mechanisms	Ongoing / Periodic	Employee wellbeing, health and safety, training and development, employee engagement, retention, labour availability and working conditions
Guests / Customers	Guest feedback, customer surveys, reviews, service interactions and customer communication channels	Ongoing	Guest satisfaction, service quality, food safety, guest health and safety, sustainability expectations and overall customer experience
Regulators	Regulatory submissions, inspections, meetings, consultations and compliance communications	As required	Regulatory compliance, environmental requirements, health and safety requirements and other applicable regulatory obligations
Suppliers	Supplier meetings, procurement processes, supplier evaluations and performance reviews	Periodic / As required	Product and service quality, supply continuity, cost, compliance, sustainability-related requirements and value-chain risks
Local Communities	Community engagement, meetings, community initiatives and stakeholder communication channels	Periodic / As required	Local employment, community development, environmental impacts, community expectations and relationships with surrounding communities

Stakeholder engagement information was therefore used as an input to the materiality assessment and supported the identification and validation of sustainability-related risks and opportunities, rather than being treated as a separate scoring dimension.

5.3 Materiality Assessment Methodology

Kandy Hotels Company (1938) PLC and its subsidiaries conducted a materiality assessment to identify and priorities sustainability-related risks and opportunities that could reasonably be expected to affect the Group's prospects, including its cash flows, access to finance or cost of capital.

The assessment was undertaken in accordance with the materiality principle of SLFRS S1 – General Requirements for Disclosure of Sustainability-related Financial Information and the relevant requirements of SLFRS S2 – Climate-related Disclosures.

Under SLFRS S1, information is considered material if omitting, misstating or obscuring that information could reasonably be expected to influence the decisions that the primary users of general-purpose financial reports make on the basis of those reports.

5.3.1. Materiality Assessment Process

The Group applied a four-stage process:

1. Identification

Sustainability-related risks and opportunities relevant to the Group's hospitality operations were identified through consideration of the Group's business activities, operating context, sector considerations, stakeholder concerns, applicable regulatory requirements, industry guidance, peer practices and internal risk considerations.

The assessment covered 49 individual sustainability-related risks and opportunities across 10 key sustainability topic areas.

The identification process also considered sustainability-related matters arising from the Group's own operations and relevant value-chain relationships, where these could reasonably be expected to affect the Group's prospects.

Information obtained through stakeholder engagement, as described in Section 5.2, was considered as an input to this identification process.

2. Prioritisation

Each identified sustainability-related risk or opportunity was assessed against three criteria:

Likelihood – the probability of the risk or opportunity occurring within the relevant time horizon.

Potential Financial Impact – the potential effect on the Group's cash flows, access to finance or cost of capital.

Nature and Severity of Impact – the significance of potential operational, environmental, regulatory, reputational and stakeholder impacts.

Each criterion was scored from 1 (lowest) to 5 (highest). The three scores were combined to obtain an overall score ranging from 3 to 15.

The assessment considered potential effects over:

Short term – up to one year
Medium term – one to five years
Long term – beyond five years

The Potential Financial Impact criterion was applied to support the assessment of financial materiality under SLFRS S1, including potential implications for the Group's cash flows, access to finance and cost of capital.

Stakeholder concerns and expectations were considered during the identification and validation stages but were not applied as a separate numerical stakeholder-significance scoring criterion.

Where relevant, the assessment also considered potential indirect financial effects, including changes in operating costs, regulatory requirements, resource availability, business continuity, customer expectations, reputation, insurance considerations and investment requirements.

The scoring methodology was developed by the Group as an internal decision-support mechanism and does not represent materiality thresholds prescribed by SLFRS S1 or SLFRS S2.

3. Validation

The assessment results were reviewed using management judgement, considering the Group's specific circumstances and the potential effects of individual sustainability-related risks and opportunities both separately and in combination.

The Group also considered whether risks that were individually assessed as lower in significance could become material when considered collectively with related risks and opportunities.

The validation process considered the consistency and reasonableness of the assigned scores in relation to the Group's operating context, risk profile and expected future developments.

Management judgement was particularly applied where potential financial effects were uncertain, indirect, long-term or dependent on multiple factors.

Information and feedback obtained through stakeholder engagement were also considered during this validation stage.

4. Approval

The final materiality conclusions were reviewed and approved through the Group's relevant governance process for incorporation into the SLFRS S1 and SLFRS S2 reporting.

The approved results were used to determine the sustainability-related matters requiring consideration within the Group's sustainability disclosures and to support the linkage between identified sustainability-related risks and opportunities and the Group's broader risk management, strategy and governance processes.

5.3.2. Internal Materiality Classification and Decision-Support Bands

The Group used the following scoring bands as an internal decision-support mechanism:

Overall Score	Classification	Reporting Treatment
12–15	Highly Material	Full consideration and disclosure under applicable SLFRS S1/S2 requirements
9–11	Material	Consideration and disclosure under applicable SLFRS S1/S2 requirements
6–8	Monitor	Narrative consideration and reassessment in subsequent reporting periods
3–5	Lower Significance	No detailed disclosure for the current reporting period, subject to management judgement

The numerical score was not considered in isolation. The scoring bands were used as a structured decision-support mechanism to support consistency in the assessment process and do not represent automatic thresholds for determining disclosure requirements under SLFRS S1 or SLFRS S2.

Final materiality conclusions were based on management judgement and consideration of the specific circumstances of the Group, including the nature and potential magnitude of the effects of individual sustainability-related risks and opportunities.

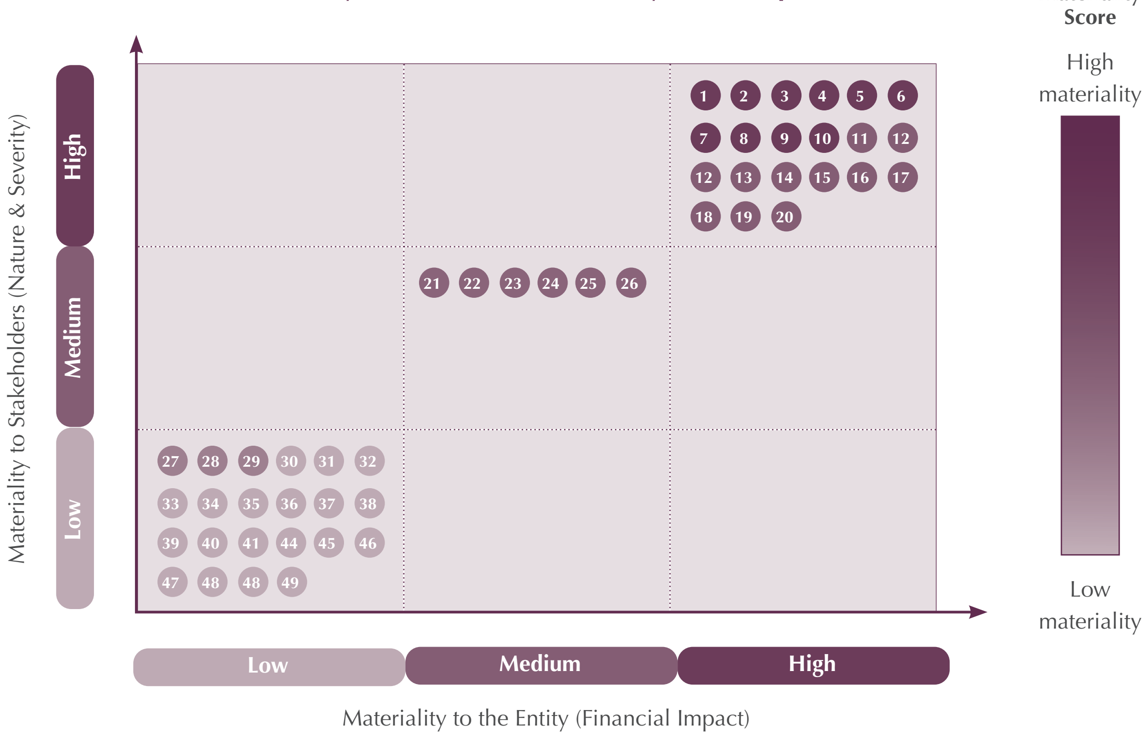
5.4 Material Sustainability Topics

The materiality assessment identified 49 individual sustainability-related risks and opportunities across 10 key sustainability topic areas.

The assessment resulted in:

- 20 Highly Material topics
- 6 Material topics
- 3 Monitor topics
- 20 Lower Significance topics

Materiality Matrix - All 49 Sustainability-Related Topics



The materiality matrix reflects the assessment criteria applied by KHC Group, comprising Likelihood, Potential Financial Impact, and Nature & Severity of Impact. The numerical assessment was used as a decision-support mechanism and was not considered in isolation; final materiality conclusions incorporated management judgement and the specific circumstances of the Group.

Accordingly, 26 sustainability-related topics were identified as Material or Highly Material and were considered in determining the sustainability-related disclosures presented in this report.

The assessment demonstrates that the Group's most significant sustainability-related exposures are concentrated around climate and GHG emissions, environmental resource management, human capital, guest health and safety, governance and compliance, and local economic contribution.

The identified material matters reflect the sustainability-related risks and opportunities considered to have the greatest potential relevance to the Group's prospects and to the decisions of the primary users of its general-purpose financial reports.

The 49 assessed items represent individual sustainability-related risks and opportunities. The sustainability topic areas presented below are broader thematic groupings used to support the presentation of the Group's sustainability-related disclosures and therefore do not represent a one-to-one listing of the 49 individual assessed items.

Sustainability Topic Areas

Environmental

- Climate change and climate-related physical risks
- Scope 1 and Scope 2 GHG emissions
- Water consumption and efficiency
- Waste generation and disposal
- Plastic reduction
- Biodiversity and ecosystem impacts
- Pollution management
- Sustainable landscaping and conservation

Social

- Employee wellbeing and engagement
- Employee turnover and labour shortages
- Training and development
- Diversity, equity and inclusion
- Human rights and ethical employment
- Occupational health and safety
- Guest safety and hotel security
- Food safety and hygiene
- Guest satisfaction and sustainability expectations
- Indoor air quality and comfort
- Local employment generation

Governance

- ESG governance and board oversight
- Ethics and anti-corruption
- Regulatory compliance
- Enterprise risk management
- Cybersecurity and data privacy

These thematic groupings are provided to support the presentation of the Group's sustainability-related disclosures and do not replace or alter the individual materiality classifications assigned during the assessment.

Topics Under Monitoring

Based on the current assessment, three topics were classified as Monitor:

- Energy consumption and efficiency
- Scope 3 GHG emissions
- Wastewater treatment

These topics will be reassessed during subsequent reporting periods as changes in the Group's operations, regulatory requirements, stakeholder expectations, value-chain impacts and data availability may affect their materiality.

The Monitor classification does not indicate that these matters are irrelevant to the Group. Rather, based on the current assessment, these matters did not meet the Group's internal decision-support classification for Material or Highly Material for the current reporting period but warrant continued monitoring and periodic reassessment.

Changes in the Group's operations, regulatory requirements, resource dependencies, value-chain exposure, stakeholder expectations or the availability of financial and sustainability-related information may result in a change in classification in future reporting periods.

Materiality Matrix

The results of the materiality assessment are presented in the materiality matrix below. The matrix illustrates the relative significance of the 49 sustainability-related risks and opportunities based on the assessment criteria applied by the Group.

The assessment considered Likelihood, Potential Financial Impact, and Nature & Severity of Impact, with each criterion scored from 1 to 5. The combined assessment produced an overall score ranging from 3 to 15, which was used as an internal decision-support mechanism.

For visualisation purposes, the matrix presents Likelihood and Potential Financial Impact as the primary dimensions, while Nature & Severity of Impact is represented through the relative size or weighting of the plotted items.

The matrix should be interpreted together with the underlying assessment scores, time horizons and final materiality classifications. The numerical assessment was not considered in isolation, and final materiality conclusions incorporated management judgement and consideration of the specific circumstances of the Group.

6. SUSTAINABILITY-RELATED RISKS AND OPPORTUNITIES

6.1 Risk Identification Methodology

Kandy Hotels Company (1938) PLC and its subsidiaries identify sustainability-related risks and opportunities through consideration of the Group's business activities, operating context, hospitality-sector characteristics, value-chain relationships, regulatory requirements and relevant sustainability-related developments.

The identification process considers risks and opportunities arising from the Group's own operations and relevant upstream and downstream activities. Matters identified through the materiality assessment in Section 5 are further considered based on their potential implications for the Group's strategy, business model, cash flows, access to finance and cost of capital.

The Group considers both current and emerging sustainability-related risks and opportunities and evaluates their relevance over short-, medium- and long-term time horizons.

The identified risks and opportunities are assessed and prioritised through the materiality assessment process described in Section 5.3.

6.2 Sustainability Risks and Opportunities Register

The following register summarises the sustainability-related risks and opportunities classified as Material or Highly Material through the Group's materiality assessment.

No.	Stakeholder	Engagement Method	Frequency	Key Issues / Areas Considered in the Materiality Assessment
1	Climate Change & Energy Management	Climate-related physical risks and transition towards lower-carbon operations	Short / Medium / Long	Potential operational disruption, increased energy costs, regulatory requirements and investment needs
2	Greenhouse Gas (GHG) Emissions	Scope 1 and Scope 2 emissions and emissions reduction opportunities	Short / Medium / Long	Potential impact on energy costs, regulatory expectations, investment requirements and reputation
3	Water & Waste Management	Water consumption, water efficiency, waste generation and disposal	Short / Medium	Potential impact on resource availability, operating costs, regulatory compliance and operational resilience
4	Water & Waste Management	Plastic reduction and improved resource efficiency	Short / Medium	Potential reduction in waste-management costs and alignment with regulatory and customer expectations
5	Biodiversity & Environmental Protection	Biodiversity, ecosystem and environmental impacts	Medium / Long	Potential impact on destination attractiveness, regulatory compliance, reputation and long-term resilience
6	Biodiversity & Environmental Protection	Protection of beaches, forests and heritage areas	Medium / Long	Potential impact on tourism attractiveness, reputation, stakeholder relationships and business continuity
7	Biodiversity & Environmental Protection	Pollution prevention and management	Short / Medium	Potential regulatory, remediation, operational and reputational impacts
8	Human Capital & Workplace Management	Employee wellbeing, engagement, retention and labour availability	Short / Medium	Potential impact on productivity, service quality, recruitment and operating costs
9	Human Capital & Workplace Management	Training, development, diversity and ethical employment	Short / Medium	Opportunity to strengthen employee capability, retention, workforce resilience and reputation
10	Human Capital & Workplace Management	Occupational health and safety	Short / Medium	Potential impact on employee wellbeing, regulatory compliance, operational continuity and costs
11	Guest Health, Safety & Experience	Guest safety, hotel security and food safety	Short / Medium	Potential impact on guest confidence, reputation, legal exposure and revenue

No.	Stakeholder	Engagement Method	Frequency	Key Issues / Areas Considered in the Materiality Assessment
12	Guest Health, Safety & Experience	Guest satisfaction and sustainability expectations	Short / Medium	Potential impact on customer loyalty, occupancy, revenue and brand reputation
13	Guest Health, Safety & Experience	Indoor air quality and guest comfort	Short / Medium	Potential impact on guest experience, health, satisfaction and operating costs
14	Governance, Ethics & Compliance	ESG governance and Board oversight	Short / Medium	Potential impact on accountability, decision-making, reporting quality and stakeholder confidence
15	Governance, Ethics & Compliance	Ethics, anti-corruption and regulatory compliance	Short / Medium	Potential legal, financial, operational and reputational impacts
16	Governance, Ethics & Compliance	Enterprise risk management	Short / Medium	Opportunity to strengthen organisational resilience, decision-making and management of emerging risks
17	Governance, Ethics & Compliance	Cybersecurity and data privacy	Short / Medium	Potential financial, legal, operational and reputational impacts
18	Community & Economic Contribution	Local employment generation and community contribution	Short / Medium	Potential contribution to local economic development, stakeholder relationships and social license to operate

Note: This register summarises the sustainability-related risks and opportunities classified as Material or Highly Material through the Group's materiality assessment.

6.3 Time Horizon Definitions

The Group considers the potential timing of effects arising from sustainability-related risks and opportunities using the following time horizons:

Horizon	Definition
Short-term	Up to 1 year
Medium-term	1–5 years
Long-term	Beyond 5 years

These time horizons are applied consistently when assessing the potential effects of sustainability-related risks and opportunities on the Group's prospects.

6.4 Strategic Significance

The sustainability-related risks and opportunities identified as Material or Highly Material are relevant to the Group's ability to maintain operational resilience, deliver quality guest experiences and create long-term value.

The most significant matters relate to climate change and GHG emissions, environmental resource management, human capital, guest health and safety, governance and compliance, and local economic contribution.

These sustainability-related risks and opportunities may influence the Group through changes in operating costs, resource availability, regulatory requirements, capital expenditure, business continuity, customer expectations, reputation, access to finance and cost of capital.

The Group therefore considers these matters within its broader strategy, risk management and governance processes. The Group will continue to monitor these risks and opportunities and reassess their significance as its operating environment, regulatory requirements, stakeholder expectations and value-chain exposure evolve.

7. SUSTAINABILITY STRATEGY

7.1 Sustainability Vision

Kandy Hotels Company (1938) PLC and its subsidiaries seek to integrate sustainability considerations into the Group's business strategy, operations, risk management and decision-making processes.

The Group's sustainability approach is focused on strengthening long-term business resilience while managing material sustainability-related risks and opportunities across its operations and relevant value-chain relationships. This includes addressing climate-related risks, improving resource efficiency, strengthening human capital, maintaining high standards of guest health and safety, protecting the environment and destinations in which the Group operates, and maintaining strong governance and regulatory compliance.

The Group aims to create long-term value for its stakeholders by integrating sustainability considerations into its business and operational practices while supporting the resilience and competitiveness of its hospitality operations.

7.2 Strategic Pillars

The Group's sustainability strategy is structured around the following strategic pillars, which are aligned with the material sustainability-related risks and opportunities identified through the materiality assessment:

1. Climate Action

- Managing climate-related physical and transition risks.
- Reducing greenhouse gas emissions and improving energy efficiency.
- Strengthening climate resilience across the Group's operations.
- Considering opportunities for lower-carbon and renewable energy solutions.

2. Environmental & Resource Stewardship

- Improving water efficiency and responsible water management.
- Reducing waste generation and improving waste management practices.
- Reducing plastic use and promoting resource efficiency.
- Managing pollution and environmental impacts.
- Supporting biodiversity, conservation and sustainable landscaping.

3. People & Guest Wellbeing

- Promoting employee wellbeing, engagement and development.
- Addressing employee retention and workforce capability.
- Supporting diversity, equity and inclusion and ethical employment practices.
- Maintaining occupational health and safety.
- Protecting guest health, safety and security.
- Maintaining food safety, hygiene and guest comfort.

4. Responsible Governance & Resilience

- Strengthening ESG governance and oversight.
- Maintaining ethical business practices and anti-corruption controls.
- Ensuring regulatory and compliance requirements are addressed.
- Integrating sustainability-related risks into enterprise risk management.
- Strengthening cybersecurity and data privacy.

5. Community & Economic Contribution

- Supporting local employment opportunities.
- Strengthening relationships with local communities and stakeholders.
- Supporting local economic contribution through the Group's hospitality operations.

7.3 Strategic Responses

The Group's strategic responses are aligned with the material and highly material sustainability-related risks and opportunities identified through the materiality assessment in Section 5.

Material Sustainability Area	Strategic Response
Climate change and climate-related physical risks	Strengthen climate resilience, consider climate-related risks in operational and strategic planning, and improve preparedness for climate-related disruptions.
GHG emissions and energy management	Monitor GHG emissions and energy consumption, identify opportunities for energy efficiency and evaluate lower-carbon energy solutions.
Water management	Improve monitoring and efficiency of water consumption and identify opportunities to reduce water dependency and improve resource resilience.
Waste and plastic management	Reduce waste generation, improve segregation and responsible disposal, and promote reduction of single-use plastics and resource consumption.
Biodiversity and environmental protection	Minimise environmental impacts associated with hotel operations and support conservation, sustainable landscaping and protection of sensitive areas.
Human capital	Strengthen employee wellbeing, engagement, training and development while addressing workforce retention and capability requirements.
Occupational health and safety	Maintain systems and practices to identify and manage workplace health and safety risks and promote a safe working environment.

Material Sustainability Area	Strategic Response
Guest health, safety and experience	Maintain appropriate controls for guest safety, hotel security, food safety, hygiene, indoor air quality and overall guest experience.
Governance, ethics and compliance	Strengthen governance oversight, ethical conduct, regulatory compliance and integration of sustainability-related matters into risk management and decision-making.
Cybersecurity and data privacy	Maintain appropriate controls to protect information and manage cybersecurity and data privacy risks.
Community and local economic contribution	Support local employment and maintain constructive relationships with communities and other relevant stakeholders.

The Group will continue to review and refine these strategic responses as its sustainability-related risks and opportunities, operating environment, regulatory requirements and stakeholder expectations evolve.

7.4 Resource Allocation

The Group allocates resources to sustainability-related initiatives through its operational activities, capital expenditure, employee capacity, risk management processes and improvement programmers.

Resource allocation is prioritised based on the significance of identified sustainability-related risks and opportunities, operational requirements, regulatory obligations, business priorities and the potential contribution to long-term resilience and value creation.

Relevant resource allocation may include investments in energy efficiency, water and waste management, environmental protection, health and safety, employee development, information security, climate resilience and other sustainability-related initiatives.

Where sustainability-related investments or expenditure are separately identifiable and financially material, the Group will disclose the relevant amounts, nature of the investment and, where appropriate, the expected strategic or financial outcomes.

The Group will continue to strengthen the integration of sustainability considerations into financial planning, capital allocation and operational decision-making as its sustainability strategy develops.

8. CLIMATE-RELATED RISKS AND OPPORTUNITIES

8.1 Climate Risk Assessment Methodology

Kandy Hotels Company (1938) PLC and its subsidiaries assess climate-related risks and opportunities in the context of the Group's hospitality operations, geographical exposure, business model, infrastructure, resource dependencies and relevant value-chain relationships.

The assessment considers both physical climate-related risks and climate-related transition risks, together with opportunities arising from the transition to a lower-carbon and more climate-resilient economy.

Physical risks considered by the Group include acute events such as flooding, storms and extreme weather events, as well as chronic changes such as increasing temperatures, heat stress, changing rainfall patterns and water scarcity.

Transition risks considered include changes in climate-related regulations and policies, energy and carbon-related costs, technological developments, market expectations, customer preferences and the increasing importance of sustainability performance within the tourism and hospitality sector.

The assessment considers the potential effects of these risks and opportunities on the Group's operations, infrastructure, resources, guest experience, reputation, financial performance and long-term business resilience.

Climate-related risks and opportunities identified through this assessment are considered together with the broader sustainability-related materiality assessment described in Section 5 and the sustainability-related risks and opportunities identified in Section 6.

The Group will continue to refine its climate-risk assessment as property-level climate information, climate scenarios, operational data and financial information become available.

8.2 Climate-related Physical Risks

The Group recognises that climate change may create physical risks that could affect hotel operations, infrastructure, natural resources, guest comfort and business continuity.

The principal physical climate-related risks considered by the Group are summarised below.

Risk	Location / Property	Time Horizon	Potential Impact
Flooding and heavy rainfall	Relevant KHC hotel properties exposed to heavy rainfall, surface-water flooding or drainage constraints	Short / Medium / Long	Potential damage to buildings, infrastructure and equipment; disruption to hotel operations; increased maintenance and recovery costs; and potential impacts on guest access and occupancy
Extreme heat and heat stress	Relevant KHC hotel properties	Short / Medium / Long	Increased cooling requirements and energy consumption, potential impacts on guest and employee comfort, and increased operating costs
Drought and water scarcity	Relevant KHC hotel properties with significant water requirements	Medium / Long	Potential constraints on water availability, increased water procurement and treatment costs, landscaping impacts and operational disruption
Storms and extreme weather events	Relevant KHC hotel properties exposed to severe weather	Short / Medium / Long	Potential physical damage to buildings, grounds and infrastructure, disruption to operations and increased insurance, maintenance and recovery costs
Changes in rainfall patterns	Relevant KHC hotel properties	Medium / Long	Potential effects on water availability, landscaping, destination conditions and operational planning

The significance of individual physical risks may vary between properties depending on their geographical location, physical characteristics, infrastructure, resource dependencies and exposure to climate hazards. The Group will continue to strengthen property-level assessment as more detailed climate-risk and scenario information becomes available.

8.3 Climate-related Transition Risks

The transition to a lower-carbon economy may result in changes to regulations, energy markets, technologies, customer expectations and financing conditions. The Group considers the following transition risks relevant to its hospitality operations.

Risk	Driver	Time Horizon	Potential Impact
Regulatory and policy changes	Increasing climate-related regulations, environmental requirements and reporting expectations	Short / Medium / Long	Potential compliance costs, additional reporting requirements, operational changes and investment requirements
Energy and carbon-related cost increases	Changes in energy prices, carbon-related policies and the transition towards lower-carbon energy	Short / Medium / Long	Potential increase in operating costs and capital requirements for energy-efficiency and lower-carbon solutions
Market and guest preference changes	Increasing demand for sustainable, environmentally responsible and low-carbon tourism experiences	Short / Medium	Potential impact on customer preferences, competitiveness, occupancy and reputation
Technology transition	Increasing adoption of energy-efficient and low-carbon technologies	Medium / Long	Potential capital expenditure requirements and technology replacement costs, together with opportunities to reduce operating costs
Financing and stakeholder expectations	Increasing consideration of sustainability and climate performance by financial institutions and other stakeholders	Medium / Long	Potential implications for access to finance, cost of capital and stakeholder confidence

The Group will monitor developments in climate-related regulations, market expectations, technology and financing conditions and consider their potential implications for the Group's strategy and operations.

8.4 Climate-related Opportunities

Climate change and the transition towards a lower-carbon economy may also create opportunities for the Group to improve operational efficiency, strengthen resilience and enhance its sustainability performance.

Opportunity	Description	Time Horizon	Potential Benefit
Renewable energy	Increasing the use of renewable energy solutions, including solar energy where technically and economically feasible	Short / Medium / Long	Potential reduction in energy-related emissions and long-term energy-cost exposure
Energy efficiency	Implementation of energy-efficiency improvements in buildings, equipment, cooling systems, lighting and other hotel operations	Short / Medium	Potential reduction in energy consumption, operating costs and GHG emissions
Sustainable buildings and operations	Incorporation of sustainability considerations into building improvements, maintenance and operational practices	Medium / Long	Improved resource efficiency, resilience, guest experience and long-term asset performance
Sustainable tourism and eco-certification	Strengthening sustainable tourism practices and pursuing relevant sustainability or eco-certification opportunities where appropriate	Short / Medium	Potential enhancement of market positioning, guest confidence, reputation and competitiveness
Climate-resilient infrastructure	Incorporating climate resilience into infrastructure planning, maintenance and capital investment decisions	Medium / Long	Reduced exposure to climate-related disruption, improved asset resilience and business continuity
Green financing	Exploring financing opportunities that consider sustainability and climate-related performance, where appropriate	Medium / Long	Potential access to sustainability-linked or green financing and improved alignment with investor and lender expectations

9. BUSINESS MODEL, VALUE CHAIN AND FINANCIAL EFFECTS

9.1 Effects on Business Model

Climate-related risks and opportunities may affect the Group's business model through their potential influence on hotel operations, infrastructure, energy and water requirements, operating costs, guest preferences, destination attractiveness and business continuity.

Physical climate risks may result in operational disruption, damage to assets, increased maintenance requirements, increased energy or water costs and potential effects on guest access and occupancy.

Transition risks may arise from changes in climate-related regulations, energy costs, technology, market expectations and customer preferences. These developments may require the Group to invest in energy efficiency, renewable energy, climate resilience and other sustainability-related improvements.

At the same time, climate-related opportunities may enable the Group to improve energy and resource efficiency, strengthen climate resilience, reduce operating costs, enhance its sustainability positioning and respond to increasing demand for responsible tourism.

The Group therefore considers climate-related risks and opportunities in the context of its strategy, capital investment, operational planning, risk management and long-term business resilience.

9.2 Effects on Value Chain

Climate-related risks and opportunities may arise across the Group's upstream and downstream value chain.

Upstream value-chain exposure may include suppliers of food and beverages, energy, water-related services, construction and maintenance materials, equipment and other goods and services required for hotel operations. Climate-related disruptions affecting suppliers may result in changes in availability, lead times and procurement costs.

Own operations may be affected through exposure of hotel properties and infrastructure to extreme weather events, changes in temperature and water availability, energy consumption, waste management and other resource dependencies.

Downstream exposure may include guests and tourism-related activities. Changes in climate conditions, destination attractiveness and guest sustainability expectations may influence travel patterns, guest preferences, occupancy and demand for sustainable tourism experiences.

The Group will continue to assess climate-related risks and opportunities across its value chain as relevant data and information become available.

9.3 Current Financial Effects

Climate-related risks and opportunities may affect the Group's financial position, financial performance and cash flows through changes in operating costs, capital expenditure, asset values, revenues and business continuity.

At the reporting date, the Group's current financial effects associated specifically with climate-related risks and opportunities are considered in conjunction with the Group's broader financial planning and risk management processes.

Financial Statement Area	Potential Climate-related Effect
Revenue	Potential effects on occupancy, guest demand and tourism activity arising from extreme weather, destination conditions and changing guest preferences
Expenses	Potential changes in energy, water, maintenance, insurance, compliance and climate-resilience-related operating costs
Assets	Potential effects on hotel buildings, infrastructure and equipment arising from physical climate risks, together with potential investment in energy efficiency and climate resilience
Liabilities	Potential changes arising from regulatory requirements, contractual obligations, environmental requirements or other climate-related commitments
Cash Flows	Potential effects from changes in operating expenditure, capital expenditure, energy and resource costs, insurance costs and revenue

Where climate-related financial effects can be separately identified and are material, the Group will provide appropriate quantitative and/or qualitative disclosure in accordance with the applicable SLFRS requirements.

9.4 Anticipated Financial Effects

The Group recognises that climate-related risks and opportunities may have anticipated financial effects over short-, medium- and long-term time horizons.

Potential anticipated effects include:

- increased operating costs arising from energy, water and other resource requirements;
- capital expenditure required for climate-resilient infrastructure and energy-efficiency improvements;
- potential investment in renewable energy and other lower-carbon technologies;
- potential changes in insurance and risk-management costs;
- potential effects on revenue arising from changes in tourism patterns, guest preferences and destination attractiveness;
- potential costs associated with compliance with evolving climate-related regulatory requirements; and
- potential financial benefits from improved resource efficiency, lower operating costs and sustainable tourism opportunities.

The Group will continue to improve its assessment of these anticipated financial effects through its financial planning, capital investment and risk-management processes.

Where reliable quantitative information is available and the effects are material, the Group will disclose the relevant financial effects. Where quantitative information is not yet available or cannot be reliably estimated, qualitative information will be provided to explain the nature and potential direction of the anticipated financial effects.

10. CLIMATE RESILIENCE AND SCENARIO ANALYSIS

10.1 Climate Resilience Assessment

The Group recognises the importance of assessing the resilience of its strategy and business model to climate-related risks and opportunities.

As this is the Group's first reporting period applying SLFRS S2, the Group is applying the applicable transition relief relating to the climate resilience disclosure requirements under paragraph 22 of SLFRS S2. Accordingly, a formal climate resilience assessment based on climate-related scenario analysis has not been completed for the current reporting period.

The Group has, however, considered the physical and transition climate-related risks identified in Section 8, including extreme weather events, changes in temperature and water availability, energy-related risks, regulatory developments and changing market and guest expectations. These matters will form part of the Group's developing climate resilience assessment.

The Group will progressively develop its climate resilience assessment and integrate the results, when available, into its strategy, risk management and capital planning processes during the applicable transition period.

10.2 Climate Scenario Analysis Methodology

The Group is developing its approach to climate-related scenario analysis to support the assessment of the resilience of its strategy and business model under different climate-related conditions.

The approach is expected to consider relevant physical and transition climate scenarios, time horizons, key assumptions, climate hazards, regulatory developments, energy-related factors and potential implications for the Group's hospitality operations.

As the Group is applying the applicable transition relief for the climate resilience disclosure requirements under SLFRS S2 paragraph 22, the formal scenario-analysis methodology has not yet been applied to the Group's hotel portfolio during the current reporting period.

Where sufficient data and analytical capabilities are available, the Group will progressively incorporate quantitative and qualitative scenario analysis into its climate-risk assessment and strategic planning processes.

The Group will develop and refine its scenario-analysis capabilities during the applicable transition period.

10.3 Climate Scenarios Under Consideration

At the current reporting date, the Group has not completed a formal climate-related scenario analysis covering its hotel portfolio. Accordingly, no scenario-specific quantitative financial impacts or scenario-analysis results are presented for the current reporting period.

The Group is developing its climate scenario-analysis approach and intends to consider internationally recognised climate scenarios and pathways relevant to its identified physical and transition climate-related risks and opportunities. The scenarios presented below represent pathways under consideration for the development of the Group's future scenario-analysis framework and have not been applied to the Group's hotel properties during the current reporting period.

Scenario / Pathway	Potential Source / Reference	Current Status
1.5°C pathway	IPCC / other recognised climate scenarios	Under consideration for future scenario analysis
2°C or below 2°C pathway	IPCC / other recognised climate scenarios	Under consideration for future scenario analysis
Higher-emissions / current-policy pathway	IPCC / other recognised climate scenarios	Under consideration for future scenario analysis

10.4 Key Assumptions

As the Group has not completed its formal climate scenario analysis during the current reporting period, the assumptions and parameters for the analysis have not yet been finalised. In developing its scenario-analysis methodology, the Group expects to consider, where relevant:

- Energy mix and future energy availability;
- Energy price and carbon-related cost trajectories;
- Climate policies and regulatory developments, including Sri Lanka's Nationally Determined Contributions (NDCs);
- Changes in temperature, rainfall and extreme weather events;
- Water availability and resource constraints;
- Tourism demand and changing guest preferences;
- Climate-related infrastructure and investment requirements; and
- Relevant developments in technology and low-carbon solutions.

These assumptions will be refined and documented as the Group develops its scenario-analysis methodology and obtains more detailed property-level and financial information.

10.5 Areas to be Considered in Future Scenario Analysis

As the Group has not completed a formal climate-related scenario analysis during the current reporting period, scenario-specific results are not presented. The following table summarises the key areas that the Group expects to assess when the scenario-analysis framework is implemented.

Scenario / Climate Condition	Key Risks / Implications to be Assessed	Potential Strategic Response
Lower-emissions / 1.5°C pathway	Transition requirements, energy efficiency, regulatory developments and changing market expectations	Energy efficiency, renewable energy, emissions reduction and sustainability initiatives
2°C or below 2°C pathway	Increasing transition requirements and physical climate impacts	Climate-resilient investment, resource efficiency and emissions management
Higher-emissions / current-policy pathway	Greater exposure to extreme weather, heat stress, water scarcity and operational disruption	Climate adaptation, business continuity, infrastructure resilience and resource management

The information presented above represents areas identified for consideration in the Group's future scenario-analysis framework and does not constitute completed climate-related scenario-analysis results.

10.6 Climate Resilience Conclusions

Based on the climate-related risks and opportunities identified through the Group's current climate-risk identification process, the Group recognises the need to strengthen the resilience of its hotel operations, infrastructure, resource management and business continuity arrangements.

A formal climate resilience assessment based on climate-related scenario analysis has not been completed for the current reporting period, as the Group is applying the applicable transition relief under SLFRS S2 paragraph 22. Accordingly, no conclusion regarding the Group's quantitative climate resilience under specific climate scenarios is presented.

The Group will progressively enhance its climate resilience assessment and scenario-analysis capabilities and, once developed, integrate the results into its strategy, risk management and capital planning processes.

11. CLIMATE TRANSITION PLAN

11.1 Climate Ambition

At the reporting date, Kandy Hotels Company (1938) PLC and its subsidiaries have not established a formally approved Group-wide net-zero target or long-term greenhouse gas (GHG) emissions reduction target.

As an initial step towards strengthening the Group's climate management approach, the Group has commenced the quantification of its greenhouse gas emissions across relevant operational boundaries. The GHG quantification exercise is intended to establish a baseline of the Group's emissions profile and support the identification of appropriate future emission reduction opportunities and targets.

Any future climate-related targets or commitments will be disclosed once formally assessed and approved through the Group's governance process.

11.2 Mitigation Actions

The Group has initiated GHG quantification as a foundational step towards identifying and prioritising appropriate emission reduction measures.

The GHG inventory will support the Group in assessing opportunities relating to energy efficiency, renewable energy, fuel consumption, electricity consumption and other relevant emission sources across its operations.

Specific mitigation measures, associated investment requirements and expected emission reductions will be disclosed as these initiatives are formally assessed and approved.

11.3 Adaptation Actions

The Group recognises the importance of strengthening resilience to climate-related physical risks relevant to its hotel operations, including extreme weather events, heat stress and water availability.

The ongoing assessment of climate-related risks, together with the development of the Group's GHG emissions baseline, will support the identification of appropriate adaptation and resilience measures.

Specific adaptation actions and associated investments will be disclosed when formally assessed and approved by the Group.

11.4 Transition Roadmap

At the reporting date, the Group has not established a formally approved climate transition roadmap or quantified long-term emissions reduction pathway.

The ongoing GHG quantification exercise represents an initial step in developing the information and baseline required to support future climate planning. The Group will use the results of the GHG assessment, together with its climate risk assessment, operational priorities, technological opportunities, regulatory developments and financial considerations, to evaluate appropriate future mitigation measures and climate-related targets.

Any formally approved transition targets, milestones or roadmap will be disclosed in subsequent reporting periods.

12. RISK MANAGEMENT

12.1 Risk Management Framework

Kandy Hotels Company (1938) PLC and its subsidiaries manage risks through a structured process of identification, assessment, prioritisation, treatment and monitoring. Sustainability-related and climate-related risks are considered in the context of the Group's operations, business environment and overall risk profile.

The Group's materiality assessment described in Section 5 also supports the identification and prioritisation of sustainability-related risks and opportunities that could reasonably be expected to affect the Group's prospects.

12.2 Climate Risk Management

The Group has commenced the process of strengthening its approach to climate-related risk management.

Climate-related risks are considered based on their potential relevance to the Group's hotel operations, including physical risks such as extreme weather events, heat stress and water availability, and transition risks associated with energy consumption, regulatory developments, changing customer expectations and the transition towards a lower-carbon economy.

The Group's ongoing GHG quantification exercise will provide a baseline for understanding the Group's emissions profile and will support the identification and prioritisation of appropriate climate mitigation opportunities.

Climate-related risks and opportunities will be further assessed as the Group develops its climate risk management approach, including consideration of relevant time horizons, potential financial effects and the Group's existing risk management processes.

12.3 Integration into Enterprise Risk Management

Climate-related risks and opportunities are considered as part of the Group's broader approach to sustainability and risk management.

The materiality assessment undertaken by the Group provides a basis for identifying sustainability-related matters that may have implications for the Group's operations, financial performance, cash flows, access to finance or cost of capital.

As the Group's climate risk management processes continue to develop, the outputs of the GHG quantification, climate risk assessment and materiality assessment will be used to support the integration of relevant climate-related risks and opportunities into the Group's broader enterprise risk management, strategic planning and decision-making processes.

The Group will continue to strengthen this integration as its climate-related data, assessments and management processes develop.

13. METRICS AND TARGETS

13.1 Environmental Performance

The Group has commenced the collection and consolidation of environmental performance data across its operations. The following FY2025/26 data has been provided for reporting purposes and is subject to ongoing data validation and verification.

Indicator	Unit	FY2025/26
Total electricity consumption	kWh	6,034,389
Electricity from grid (purchased)	kWh	6,034,389
Electricity from on-site renewable sources	kWh	0
Diesel consumption	Liters	16,345
LPG consumption	kg	63,888
Total water withdrawal – mains / municipal supply	m^3	110,243
Total water withdrawal – groundwater / borehole	m^3	0
Total water consumption	m^3	110,243
Water recycled / reused	m^3	0
Total waste generated	Tonnes	225,889.52
Total available room nights	Room nights	151,840
Total occupied room nights	Room nights	73,893
Average occupancy rate	%	49

The Group will continue to strengthen its environmental data collection and validation processes to improve the completeness and reliability of sustainability-related metrics.

13.2 Social Performance

For FY2025/26, the Group had an employee headcount of 515, with an employee turnover rate of 33% and an average of 14 training hours per employee. The Group will continue to strengthen its social performance data collection and monitoring processes to support consistent reporting in future periods.

13.3 Governance Performance

For FY2025/26, 15% of employees were covered by Ethics / Code of Conduct training. Information relating to compliance cases and breaches was not available for the reporting period. The Group is strengthening its governance-related data collection and monitoring processes to support enhanced disclosure in future reporting periods.

13.4 Climate-related Metrics

As this is the Group's first reporting period under SLFRS S2, the Group is progressively developing its climate-related data, assessment processes and metrics in accordance with the applicable requirements of SLFRS S2. The assessment of transition risks, physical risks and climate-related opportunities is currently being developed. The Group does not currently apply an internal carbon price or link executive remuneration to climate-related performance. The Group's GHG quantification exercise and related climate data collection processes are in progress. The Group will continue to enhance the availability, quality and consistency of climate-related metrics as its assessment and reporting processes are further established.

13.5 Sustainability Targets

At the reporting date, the Group had not yet established formally approved quantitative GHG reduction, energy efficiency, renewable energy, water consumption or waste reduction targets. The FY2025/26 environmental and GHG data collection and quantification exercise will support the establishment of appropriate baselines and the development of future sustainability and climate-related targets. The Group will disclose formally approved targets, together with relevant baselines, target years, milestones and progress, once these have been established through the appropriate governance process.

14. GREENHOUSE GAS EMISSIONS

14.1 GHG Accounting Methodology

The Group has commenced the quantification of its greenhouse gas (GHG) emissions for FY2025/26 as part of establishing its GHG emissions baseline.

The GHG inventory has been prepared in accordance with the GHG Protocol: A Corporate Accounting and Reporting Standard (2004) and uses the financial control approach to determine the organisational boundary. Under this approach, GHG emissions from operations over which the Group has financial control are included within the Group's GHG inventory.

The operational boundary includes Scope 1, Scope 2 and selected Scope 3 emission sources based on the relevant activity data and emission factors applied in the assessment.

The GHG inventory supports the Group's climate-related disclosures, identification of emission reduction opportunities and future GHG target setting.

14.2 Scope 1 Emissions

The Group's Scope 1 emission sources include fuel consumption, refrigerants and other direct emission sources associated with operations under the Group's financial control. The identified sources include diesel used in generators, LPG used for cooking and laundry, petrol used for grass cutters, kerosene used for lamps, scented candles, fire-fuel gel used in kitchens, acetylene, refrigerants, CO_2 fire extinguishers and fertilizer-related emissions.

Source	FY2025 Emissions (tCO_2e)
Stationary combustion	992.03
Mobile combustion	26.18
Fugitive emissions	1,294.18
Total Scope 1	2,312.40

Note: The detailed source-level activity data and calculations supporting the above Scope 1 categories are maintained as part of the Group's GHG inventory records.

14.3 Scope 2 Emissions

The Group's Scope 2 emissions arise from purchased electricity.

Source	FY2025 /26
Purchased electricity	5884032.44 kWh
Scope 2 – location-based emissions	2,455.41 tCO_2e

Note: The Scope 2 emissions represent the location-based emissions associated with the Group's purchased electricity for the reporting period.

14.4 Scope 3 Emissions

The Group has quantified selected applicable Scope 3 emission categories for FY2025/26 in accordance with the GHG Protocol. The quantified and audited results are presented below.

Source	FY2025 Emissions (tCO_2e)
Purchased goods and services	0.04
Fuel- and energy-related activities not included in Scope 1 or Scope 2	213.11
Waste generated in operations	15.48

Source	FY2025 Emissions (tCO_2e)
Employee commuting	263.53
Total quantified Scope 3	492.16

Note: The above represents the Scope 3 categories quantified for the current reporting period. The Group will progressively expand its Scope 3 assessment to other applicable categories as the required data collection and calculation processes are further established.

Accordingly, the Group's total quantified GHG emissions for FY2025/26 amount to 5,252.51 tCO_2e, comprising Scope 1, Scope 2 and the selected Scope 3 categories presented above.

14.5 Emission Intensity

The Group is developing its GHG emission intensity indicators using the quantified GHG emissions and relevant operational and financial data for FY2025/26.

Indicator	FY2025/26
Revenue (LKR Mn.)	3.49
Employees	10.20
Available room nights	0.04
Occupied room nights	0.71

Note: The above operational and financial data will be used to calculate the relevant GHG emission intensity indicators following completion and validation of the calculations.

14.6 Emission Reduction Initiatives

The Group is currently using the results of its GHG quantification exercise to identify and priorities appropriate emission reduction opportunities. Specific emission reduction initiatives, targets and related implementation plans will be developed as the Group progresses its climate-related strategy and will be disclosed in subsequent reporting periods.

15. FINANCED EMISSIONS

Not Applicable

Kandy Hotels Company (1938) PLC and its subsidiaries do not participate in asset management, commercial banking or insurance activities. Accordingly, the requirements relating to financed emissions are not applicable to the Group.

No financed emissions are therefore reported under this section.

16. BASIS OF PREPARATION

This section discloses significant judgements, assumptions, estimation uncertainty and data limitations applied in preparing this report, consistent with the requirements of SLFRS S1 and SLFRS S2.

16.1 Significant Assumptions

The preparation of the sustainability-related disclosures involves the use of assumptions where complete quantitative information is not yet available.

Key assumptions and considerations include:

- Sustainability-related risks and opportunities have been assessed based on the Group's current operating context, business activities and available information.
- The materiality assessment has been undertaken using the methodology described in Section 5, including consideration of likelihood, potential financial impact, and nature and severity of impact.
- GHG emissions are currently being quantified using relevant activity data collected from the Group's operations. Applicable emission factors and calculation methodologies are being reviewed and validated as part of the GHG quantification exercise.
- Where quantitative climate-related information is not yet available, qualitative information has been used based on currently available evidence and management assessment.
- Climate-related information and assumptions will be updated as additional data and more reliable information become available.

16.2 Judgements

Significant management judgement has been applied in the preparation of this report, including:

- Identification and prioritisation of sustainability-related risks and opportunities.
- Determination of materiality classifications as described in Section 5.
- Assessment of the relevance of sustainability-related matters to the Group's prospects.
- Identification of climate-related physical and transition risks relevant to the Group's hospitality operations.
- Assessment of the relevance of sustainability-related matters across the Group's operations and value chain.
- Determination of the information that is currently available and sufficiently reliable for inclusion in the report.
- Determination of the appropriate treatment of information that remains under assessment or validation.

The Group will continue to apply management judgement as its sustainability-related data, climate risk assessments and GHG inventory develop.

16.3 Estimation Uncertainty

Certain disclosures are subject to estimation uncertainty because the Group's sustainability and climate-related data collection and GHG quantification processes are still being developed.

Areas subject to estimation uncertainty may include:

- Calculation of Scope 1 and Scope 2 GHG emissions.
- Identification and quantification of applicable Scope 3 GHG emissions.
- Selection and application of relevant emission factors.
- Calculation of GHG emission intensity indicators.
- Assessment of potential financial effects associated with climate-related risks and opportunities.
- Assessment of longer-term climate-related risks and opportunities where outcomes depend on future conditions and developments.

The Group will refine these estimates and assumptions as additional information becomes available.

16.4 Data Limitations

The Group is continuing to strengthen its sustainability-related data collection and reporting processes. Accordingly, certain information presented in this report may be subject to data limitations.

Key limitations include:

- Historical sustainability data is not yet available for all identified metrics and topics.
- Certain operational data requires further validation and consolidation across the Group's properties.
- GHG calculations are currently in progress and the reported emissions figures will be finalised following validation of activity data, emission factors and calculation methodology.
- Certain Scope 3 emission categories require further assessment and data collection.
- Property-level climate exposure and financial impact information is still being developed.
- Certain climate-related financial effects and scenario-based information cannot yet be reliably quantified.
- Where reliable quantitative information was not available at the reporting date, qualitative disclosure has been provided instead.

The Group intends to improve the completeness, consistency and reliability of its sustainability-related data in subsequent reporting periods.

17. COMPARATIVE INFORMATION, RESTATEMENTS AND TRANSITIONAL RELIEFS

As this is the Group's first reporting period applying the SLFRS Sustainability Disclosure Standards, the Group has considered the applicable transitional provisions and reliefs available for first-time application.

The Group has applied the applicable transitional provisions to support the phased implementation of its sustainability-related financial disclosures and to allow the necessary data, systems and reporting processes to be established.

17.1 Transitional Reliefs Applied

The following transitional provisions are relevant to the Group's first reporting period:

Relief	Description	Applied
Comparative information	The Group does not present comparative sustainability-related financial information for periods before the date of initial application, in accordance with the applicable first-time application transition provisions.	Yes
Scope 3 GHG emissions	Scope 3 greenhouse gas emissions have been considered as part of the Group's GHG reporting framework. The Group is progressively developing the data collection, calculation and verification processes required to quantify and report Scope 3 emissions. Any applicable first-time application transition provisions relating to Scope 3 have been considered in determining the extent of disclosure for the current reporting period.	Yes
GHG reporting and measurement methodology	The Group has commenced its GHG reporting and quantification process. The Group is establishing and validating its GHG measurement methodology, including organisational and operational boundaries, activity data, emission factors and relevant calculation parameters. The applicable first-time application provisions have been considered in developing the Group's GHG reporting approach.	Yes
Anticipated financial effects	The Group applies the applicable transition relief relating to the disclosure of anticipated financial effects of sustainability-related risks and opportunities, to the extent permitted for the current reporting period.	Yes

Relief	Description	Applied
Climate resilience – SLFRS S2 paragraph 22	The Group applies the applicable Sri Lankan transition relief relating to the climate resilience disclosure requirements under SLFRS S2 paragraph 22. Accordingly, the Group has not completed the formal climate resilience assessment and related scenario analysis required under paragraph 22 during the current reporting period.	Yes

The application of these transitional provisions reflects the Group's first-year implementation of the SLFRS Sustainability Disclosure Standards and the ongoing development of its sustainability data, GHG accounting and climate-related assessment processes.

The Group will progressively enhance the scope, depth and quantitative nature of its sustainability-related financial disclosures as data availability, systems, methodologies and internal processes are further developed.

17.2 Restatements

As this is the Group's first reporting period applying the SLFRS Sustainability Disclosure Standards, there are no previously reported SLFRS S1/S2 sustainability-related disclosures requiring restatement. Accordingly, no restatements have been made in the current reporting period.

Where comparative sustainability-related information becomes available in subsequent reporting periods, the Group will consider the applicable requirements for consistency, comparability and restatement.

17.3 Changes in Methodology

During the reporting period, the Group commenced its GHG quantification exercise as part of the development of its sustainability-related reporting framework.

The Group is in the process of establishing and validating its GHG accounting methodology, including the organisational boundary, operational boundary, activity data, emission factors and relevant calculation parameters.

The sustainability data collection process is also being strengthened across areas including energy consumption, GHG emissions, water consumption, waste, operational activity and other sustainability-related metrics.

As this is the Group's initial reporting period, the methodologies and data collection processes are being progressively developed and validated. Where significant changes to measurement methodologies are made in future reporting periods, the Group will disclose the nature and reason for the change and, where applicable, the effect on previously reported information.

Term	Definition
Climate resilience	The capacity of an entity to adjust to climate-related changes, developments or uncertainties.
Climate-related physical risk	Risks resulting from climate change that can be event-driven (acute) or arise from longer-term shifts in climatic patterns (chronic).
Climate-related transition risk	Risks arising from efforts to transition to a lower-carbon economy, including policy, legal, technological, market and reputational risks.
Climate-related opportunity	A potential positive effect arising from efforts to respond to climate-related changes, including resource efficiency, renewable energy, new products or services and access to new markets or financing.
GHG Protocol	Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard, providing a framework for corporate greenhouse gas accounting and reporting.
Scope 1 emissions	Direct greenhouse gas emissions from sources owned or controlled by the entity.
Scope 2 emissions	Indirect greenhouse gas emissions associated with the generation of purchased electricity, steam, heating or cooling consumed by the entity.
Scope 3 emissions	Other indirect greenhouse gas emissions occurring in the entity's value chain, including upstream and downstream activities.

Term	Definition
Materiality	Information is material if omitting, misstating or obscuring that information could reasonably be expected to influence decisions made by the primary users of general-purpose financial reports.
Sustainability-related risks and opportunities	Risks and opportunities arising from an entity's dependencies on, and impacts on, resources and relationships and from other sustainability-related factors that could reasonably be expected to affect the entity's prospects.
SLFRS S1	General Requirements for Disclosure of Sustainability-related Financial Information.
SLFRS S2	Climate-related Disclosures.
First-time adopter	An entity presenting sustainability-related disclosures in accordance with the SLFRS Sustainability Disclosure Standards for the first time.
tCO_2e	Tonnes of carbon dioxide equivalent, a unit used to express the climate impact of different greenhouse gases on a common basis.

19. SLFRS S1 AND S2 CONTENT INDEX

Disclosure Requirement	Standard Reference	Section / Page
General Requirements — Core content	SLFRS S1	Sections 1, 4–7, 12–14, 16–17
Governance	SLFRS S1 27–32 / SLFRS S2 5–7	Section 4
Strategy — Sustainability-related risks and opportunities	SLFRS S1 30–42	Sections 5–7
Strategy — Climate-related risks and opportunities	SLFRS S2 10–12	Section 8
Strategy — Business model and value chain	SLFRS S2 13–14	Sections 9.1–9.2
Strategy — Current and anticipated financial effects	SLFRS S2 15–21	Sections 9.3–9.4
Strategy — Climate resilience	SLFRS S2 22	Section 10
Risk Management — Sustainability-related	SLFRS S1 43–44	Section 12
Risk Management — Climate-related	SLFRS S2 24–26	Sections 12.2–12.3
Metrics and Targets — Sustainability-related	SLFRS S1 45–53	Sections 13–14
Metrics and Targets — Climate-related	SLFRS S2 27–28	Section 13.4
GHG emissions	SLFRS S2 29	Section 14
Industry-based metrics	SLFRS S2 32	Section 13
Climate-related targets	SLFRS S2 33–37	Sections 11, 13.5
Sources of guidance	SLFRS S1 54–58	Section 1.2
Statement of Compliance	SLFRS S1 72	Section 1.6
Judgements, assumptions and estimation uncertainty	SLFRS S1 74–82	Section 16
Comparative information	SLFRS S1 70	Section 17
Restatements	SLFRS S1 83–86	Section 17.2
Transitional provisions	SLFRS S1 Appendix E / SLFRS S2 Appendix C	Section 17

APPENDICES

Appendix — Acronyms

Acronym	Meaning
CRRO	Climate-related Risks and Opportunities
ESG	Environmental, Social and Governance
GHG	Greenhouse Gas
KHC	Kandy Hotels Company (1938) PLC
ICTA	Institute of Chartered Accountants of Sri Lanka
LTIFR	Lost Time Injury Frequency Rate
NDC	Nationally Determined Contribution
SASB	Sustainability Accounting Standards Board
SLFRS	Sri Lanka Financial Reporting Standards / Sri Lanka Sustainability Disclosure Standards
SLFRS S1	General Requirements for Disclosure of Sustainability-related Financial Information
SLFRS S2	Climate-related Disclosures
SRRO	Sustainability-related Risks and Opportunities
tCO_2e	Tonnes of Carbon Dioxide Equivalent

FINANCIAL REPORTS

INDEPENDENT AUDITOR'S REPORT

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TO THE SHAREHOLDERS OF THE KANDY HOTELS COMPANY (1938) PLC

Report on the audit of the financial statements

Opinion

We have audited the financial statements of The Kandy Hotels Company (1938) PLC ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group"), which comprise the statement of profit or loss and other comprehensive income, the statement of financial position as at 31 March 2026, 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 their financial performance and their 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 matters common to both Group and Company

Key audit matter	How our audit addressed the key audit matter
Revenue The Group's revenue for the year ended 31 March 2026 amounted to Rs. 2,215,630,161/-, as disclosed in Note 06 to the financial statements. The accounting policy for revenue recognition is disclosed in Note 3.10.1 to the financial statements.	Our audit procedures included the following key procedures; • assessed whether the Group's accounting policy for revenue recognition has been appropriately applied. • tested the design and implementation of the key controls relevant to revenue. Our procedures included testing the general IT control environment. • performed analytical procedures to understand and assess the reasonableness of the reported revenues.

Key audit matter	How our audit addressed the key audit matter
Revenue was a key audit matter due to the materiality of revenue reported for the year; and the increase of 47% it represents, over the previous year.	• tested revenue transactions to invoices and other supporting documents such as housekeeping and guest-in-house reports, guest reservation cards, etc. Our procedures included : ✓ testing revenue transactions around the year-end to determine whether transactions have been recorded in the proper period and to the proper accounts; and ✓ Journal entries recognised to revenue. We also assessed the adequacy of the related disclosures set out in notes 3.10.1 and 6.1 to the financial statements.
Assessment of fair value of land and buildings Land and buildings included within property, plant and equipment amounted to approximately Rs. 9,921 Mn, representing a significant portion of the Group's total assets as at 31 March 2026. The assets are measured under the revaluation model. During the year, management obtained a desktop valuation assessment and concluded that there was no material change in the fair value of these properties since the previous valuation and accordingly no revaluation adjustment was recognised. This was a key audit matter due to: • the materiality of the carrying value of land and buildings to the Group's financial position; and • the significant judgement involved in assessing whether the carrying amounts remained materially consistent with fair value in the absence of a full external revaluation during the year. Key areas of significant judgments, estimates and assumptions used in assessing the fair value of land and buildings, as disclosed in Note 3.12.1 and 14.4 to the financial statements.	Our audit procedures included the following key procedures; • Evaluated management's assessment supporting the carrying values of land and buildings, including a review of the desktop valuation assessment obtained from an external valuation specialist. • Assessed the competence, capability and objectivity of the valuation specialist. • Assessed the appropriateness of the valuation methodology used in the desktop assessment. • Considered market conditions and other indicators that could result in material changes in property values. • Evaluated whether management's conclusion that no revaluation adjustment was required was reasonable. We also assessed the adequacy of the disclosures made in Notes 3.12.1 and 14.4 to the financial statements.

Other Information included in the 2026 Annual Report of the Company

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 the management and those charged with governance

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 Company's and the Group's financial reporting process.

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 controls 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance 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 4106.

Ernst & Young

31st August 2026
Kandy

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 March 2026	Note	Group 2026 Rs.	Group 2025 Rs.	Company 2026 Rs.	Company 2025 Rs.
Revenue	6	2,215,630,161	1,506,059,786	920,299,712	527,146,829
Cost of sales		(499,865,455)	(375,763,043)	(230,456,736)	(163,033,129)
Gross profit		1,715,764,706	1,130,296,743	689,842,976	364,113,700
Other operating income	7	1,930,183	16,472,187	1,867,883	1,893,848
Administrative expenses		(1,203,176,547)	(941,302,207)	(569,398,625)	(344,630,444)
Selling and marketing expenses		(158,206,805)	(84,063,860)	(71,646,706)	(24,383,149)
Other operating expenses	8	(4,238,911)	(2,699,140)	200,000	-
Operating profit/(loss)		352,072,626	118,703,723	50,865,528	(3,006,045)
Finance income	9.1	171,996,560	150,634,646	855,546	724,170
Finance costs	9.2	(229,471,147)	(210,287,598)	(182,284,154)	(125,840,670)
Net foreign exchange gain/(loss)		34,107,111	(15,125,104)	1,479,765	348,307
Share of profit of equity-accounted investees (net of tax)	18	(44,062,336)	8,389,605	-	-
Profit/(loss) before income tax	10	284,642,814	52,315,271	(129,083,315)	(127,774,238)
Income tax expense/ (reversal)	11.1	(69,909,698)	59,570,329	31,282,258	37,840,419
Profit/ (loss) for the year		214,733,116	111,885,601	(97,801,057)	(89,933,819)
Other comprehensive income/(loss) (OCI)					
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods (net of tax):					
Revaluation of property, plant and equipment	14.3	-	1,047,840,066	-	1,047,840,066
Deferred tax on revaluation	29	-	(314,352,020)	-	(314,352,020)
		-	733,488,046	-	733,488,046
Remeasurement gain/(loss) defined benefit plans	30	936,876	(2,346,761)	(638,628)	(483,086)
Deferred tax on defined benefit plans	29	(281,063)	704,028	191,588	144,926
		655,813	(1,642,733)	(447,040)	(338,160)
Other comprehensive income that are or may be reclassified to profit or loss in subsequent periods (net of tax):					
Equity - accounted investees - share of change of other comprehensive income	18	857,838,945	136,246,960	-	-
Other comprehensive income/(loss) for the year, net of tax		858,494,758	868,092,273	(447,040)	733,149,886
Total comprehensive income/(loss) for the year, net of tax		1,073,227,874	979,977,875	(98,248,097)	643,216,067
Profit/ (loss) attributable to:					
Equity holders of the parent		214,733,116	111,885,601	(97,801,057)	(89,933,819)
Non-controlling interests		-	-	-	-
		214,733,116	111,885,601	(97,801,057)	(89,933,819)
Total comprehensive income/(loss) attributable to:					
Equity holders of the parent		1,073,227,874	979,977,875	(98,248,097)	643,216,067
Non-controlling interests		-	-	-	-
		1,073,227,874	979,977,875	(98,248,097)	643,216,067
Basic earnings/ (loss) per share	12	0.28	0.15	(0.13)	(0.12)

The accounting policies and notes set out in pages 85 to 150 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31 March 2026	Note	Group 2026 Rs.	Group 2025 Rs.	Company 2026 Rs.	Company 2025 Rs.
ASSETS					
Non-current assets					
Property, plant and equipment	14	12,193,462,945	12,252,342,987	10,107,783,425	10,166,930,512
Intangible assets	15	2,780,294	2,840,216	319,338	520,301
Right-of-use assets	16.1	97,939,237	103,136,154	-	-
Investment in subsidiaries	17	-	-	4,718,064,472	4,718,064,472
Investment in joint venture	18	1,396,296,332	582,519,723	-	-
Advances for future share issue	19	-	-	323,000,000	323,000,000
Investment in fixed deposits	20	955,351,848	894,930,148		
		14,645,830,656	13,835,769,228	15,149,167,235	15,208,515,285
Current assets					
Inventories	21	147,122,415	132,041,160	81,986,721	81,107,143
Trade and other receivables	22	263,095,547	253,282,458	96,978,450	102,965,485
Income tax receivables	11.6	1,936,505	1,936,505	-	-
Advances and prepayments	23	76,019,602	112,945,137	44,474,605	86,917,779
Amounts due from related companies	33.1	42,750,874	51,013,934	15,807,012	9,534,816
Cash and cash equivalents	24	402,671,283	314,581,849	69,884,660	12,056,795
		933,596,226	865,801,043	309,131,448	292,582,018
Total assets		15,579,426,882	14,701,570,271	15,458,298,683	15,501,097,303
EQUITY AND LIABILITIES					
Equity					
Stated capital	25	2,661,816,425	2,661,816,425	2,661,816,425	2,661,816,425
Revaluation reserve	26	8,074,072,098	7,370,760,904	6,995,007,824	7,137,763,086
Merger reserve	27	(1,116,643,528)	(1,116,643,528)	-	-
Retained earnings		1,517,354,182	1,147,475,002	1,350,985,587	1,306,515,922
Total equity		11,136,599,177	10,063,408,803	11,007,809,836	11,106,095,433
Non-current liabilities					
Interest-bearing loans and borrowings	28	808,309,447	720,514,574	479,315,000	288,426,540
Employee benefit obligation	30	20,747,871	23,730,665	7,175,437	5,944,730
Lease liabilities	16.2	102,343,102	107,392,183	-	-
Deferred tax liabilities	29	2,350,459,873	2,343,827,765	2,092,403,202	2,123,877,048
		3,281,860,293	3,195,465,187	2,578,893,639	2,418,248,318
Current liabilities					
Trade and other payables	31	500,279,564	634,310,901	227,519,626	390,446,657
Contract liabilities	32	10,635,860	12,788,415	10,635,860	12,788,415
Interest-bearing loans and borrowings	28	220,406,921	357,983,561	47,874,824	176,080,959
Lease liabilities	16.2	18,073,120	19,124,961	-	-
Amounts due to related companies	33.2	108,683,536	84,584,692	1,431,684,318	1,191,295,365
Income tax liabilities	11.6	63,558,653	-	-	-
Bank Overdraft	24	239,329,758	333,903,751	153,880,580	206,142,156
		1,160,967,412	1,442,696,281	1,871,595,208	1,976,753,552
Total equity and liabilities		15,579,426,882	14,701,570,271	15,458,298,683	15,501,097,303
Net assets per share (Rs.)		14.76	13.34	14.59	14.72

The accounting policies and notes set out in pages 85 to 150 form an integral part of these financial statements.
I certify that these financial statements have been prepared in compliance with the requirements of the Companies Act No. 07 of 2007.

Kowshika Vijithan
Finance Manager

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

Sanjeev Gardiner
Chairman

Shalike Karunasena
Director

28 August 2026
Colombo

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2026			Other capital reserves			
		Stated capital	Revaluation reserve	Merger reserve	Retained earnings	Total equity
Group	Note	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 01 April 2024		2,661,816,425	6,589,826,030	(1,116,643,528)	948,469,503	9,083,468,430
Total comprehensive income						
Profit for the year		-	-	-	111,885,601	111,885,601
Other comprehensive income						
Actuarial loss on defined benefit obligation (net of tax)		-	-	-	(1,642,733)	(1,642,733)
Revaluation of property , plant and equipment (net of tax)		-	733,488,046	-	-	733,488,046
Total comprehensive income for the year		-	733,488,046	-	110,242,867	843,730,913
Transactions with owners of the Company						
Dividends (15% cumulative preference shares)		-	-	-	(37,500)	(37,500)
Transfer of excess depreciation on revaluation		-	(88,800,132)	-	88,800,132	-
Total transactions with owners of the Company		-	(88,800,132)	-	88,762,632	(37,500)
Share of change of other comprehensive income attributable to joint venture		-	136,246,960	-	-	136,246,960
Balance as at 31 March 2025		2,661,816,425	7,370,760,904	(1,116,643,528)	1,147,475,002	10,063,408,803
Balance as at 01 April 2025		2,661,816,425	7,370,760,904	(1,116,643,528)	1,147,475,002	10,063,408,803
Total comprehensive income						
Profit for the year		-	-	-	214,733,116	214,733,116
Other comprehensive income						
Actuarial loss on defined benefit obligation (net of tax)		-	-	-	655,813	655,813
Total comprehensive income for the year		-	-	-	215,388,929	215,388,929
Transactions with owners of the Company						
Dividends (15% cumulative preference shares)		-	-	-	(37,500)	(37,500)
Transfer of excess depreciation on revaluation	26	-	(154,527,751)	-	154,527,751	-
Total transactions with owners of the Company		-	(154,527,751)	-	154,490,251	(37,500)
Share of change of other comprehensive income attributable to joint venture	18	-	857,838,945	-	-	857,838,945
Balance as at 31 March 2026		2,661,816,425	8,074,072,098	(1,116,643,528)	1,517,354,182	11,136,599,177

The accounting policies and notes set out in pages 85 to 150 form an integral part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2026			Other capital reserves		
		Stated capital	Revaluation reserve	Retained earnings	Total equity
Company	Note	Rs.	Rs.	Rs.	Rs.
Balance as at 01 April 2024		2,661,816,425	6,477,982,237	1,323,118,205	10,462,916,867
Total comprehensive income					
Loss for the year		-	-	(89,933,819)	(89,933,819)
Other comprehensive income					
Actuarial loss on defined benefit obligation (net of tax)		-	-	(338,161)	(338,161)
Revaluation of property , plant and equipment (net of tax)		-	733,488,046	-	733,488,046
Total comprehensive income for the year		-	733,488,046	(90,271,980)	643,216,066
Total transactions with owners of the Company					
Dividends (15% cumulative preference shares)		-	-	(37,500)	(37,500)
Transfer of excess depreciation on revaluation		-	(73,707,197)	73,707,197	-
Total transactions with owners of the Company		-	(73,707,197)	73,669,697	(37,500)
Balance as at 31 March 2025		2,661,816,425	7,137,763,086	1,306,515,922	11,106,095,433
Balance as at 1 April 2025		2,661,816,425	7,137,763,086	1,306,515,922	11,106,095,433
Total comprehensive income					
Loss for the year		-	-	(97,801,057)	(97,801,057)
Other comprehensive income					
Actuarial loss on defined benefit obligation (net of tax)		-	-	(447,040)	(447,040)
Total comprehensive income for the year		-		(98,248,097)	(98,248,097)
Transactions with owners of the Company					
Dividends (15% cumulative preference shares)		-	-	(37,500)	(37,500)
Transfer of excess depreciation on revaluation	26	-	(142,755,262)	142,755,262	-
Total transactions with owners of the Company		-	(142,755,262)	142,717,762	(37,500)
Balance as at 31 March 2026		2,661,816,425	6,995,007,824	1,350,985,587	11,007,809,836

The accounting policies and notes set out in pages 85 to 150 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

Year ended 31 March 2026	Note	Group 2026 Rs.	Group 2025 Rs.	Company 2026 Rs.	Company 2025 Rs.
Cash flows from/(used in) operating activities					
Profit/ (loss) before income tax from operations		284,642,814	52,315,271	(129,083,315)	(127,774,238)
Adjustments for:					
Depreciation of property, plant and equipment	14	160,876,996	150,886,883	97,383,577	75,784,320
Amortisation of intangible assets	15	953,723	634,808	200,963	204,308
Amortisation of right of use assets	16.1	5,196,917	5,196,918	-	-
Provision for inventory		(1,868,226)	-	-	-
Exchange gain/ (loss)		28,704,150	(9,123,684)	(1,479,765)	(348,307)
Interest income	9.1	(171,996,560)	(150,634,646)	(855,546)	(724,170)
Interest costs	9.2	229,471,147	210,287,598	182,284,154	125,840,670
Provision/ written off for bad and doubtful debts	22.3	7,039,569	-	-	-
Provision for amounts due from related companies	33.1.1	(932,432)	668,004	-	-
Profit on disposal of property, plant and equipment	7	(600,050)	-	(600,050)	-
Share of results of equity-accounted investee	18	44,062,336	(8,389,605)	-	-
Provision for employee benefit obligations	30	5,502,921	4,838,340	2,217,191	1,253,594
Operating profit before working capital changes		591,053,305	256,679,887	150,067,209	74,236,177
(Increase)/decrease in inventories		(13,213,029)	(30,066,502)	(879,578)	(32,189,822)
(Increase)/decrease in trade and other receivables		(16,852,658)	104,440,575	7,466,798	(23,648,570)
(Increase)/decrease in advances and prepayments		36,925,535	(86,502,932)	42,443,174	(71,469,039)
(Increase)/decrease in amount due from related parties		9,195,492	15,598,058	(6,272,196)	(293,350,323)
Increase/(decrease) in trade and other payable		(136,219,498)	301,880,778	(165,116,236)	340,519,800
(Increase)/decrease in amount due to related parties		20,523,517	40,357,390	123,457,450	1,042,528,269
Cash generated from/ (used in) operations		491,412,664	602,387,254	151,166,621	1,036,626,492
Interest paid		(223,839,147)	(217,216,601)	(76,344,368)	(207,700,938)
Income taxes paid		-	-	-	-
Employee benefit obligations paid	30	(3,973,514)	(4,598,844)	(1,625,112)	(479,287)
Net cash generated from/ (used in) operating activities		263,600,003	380,571,809	73,197,141	828,446,267
Cash flows from/ (used in) investing activities					
Interest income received		171,996,560	150,634,647	855,546	724,170
Purchase of property, plant and equipment	14	(101,998,846)	(761,922,159)	(38,237,338)	(732,824,209)
Proceed from disposal of Property ,plant and equipment	7	600,050	-	600,050	-
Purchase of intangible assets	15	(893,801)	(1,435,000)	-	-
Increase/(decrease) in fixed deposits		(60,421,700)	285,980,156	-	-
Investment in joint venture	18	-	(292,500,000)	-	-
Net cash from/(used in) investing activities		9,282,263	(619,242,356)	(36,781,742)	(732,100,039)
Cash flows from/ (used in) financing activities					
Loans obtained during the year	28	200,000,000	-	200,000,000	-
Capital repayments of borrowings during the year		(268,029,560)	(253,926,769)	(126,325,958)	(159,130,311)
Payment of principal portion of lease liabilities	16.4	(22,189,279)	(17,151,682)	-	-
Net cash from/(used in) financing activities		(90,218,839)	(271,078,451)	73,674,042	(159,130,311)
Net increase/(decrease) in cash and cash equivalents		182,663,427	(509,748,998)	110,089,441	(62,784,083)
Cash and cash equivalents at the beginning of the year		(19,321,902)	490,427,096	(194,085,361)	(131,301,278)
Cash and cash equivalents at the end of the year	24	163,341,525	(19,321,902)	(83,995,920)	(194,085,361)

Note a

Cash and cash equivalents at the end of the financial year consist of the following.

	Note	Group 2026 Rs.	Group 2025 Rs.	Company 2026 Rs.	Company 2025 Rs.
Cash in hand and cash at bank		402,671,283	314,581,849	69,884,660	12,056,795
Bank overdrafts		(239,329,758)	(333,903,751)	(153,880,580)	(206,142,156)
		163,341,525	(19,321,902)	(83,995,920)	(194,085,361)

The accounting policies and notes set out in pages 85 to 150 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

1.1 General

The Kandy Hotels Company (1938) PLC ("the Company") is a public limited Company incorporated and domiciled in Sri Lanka of which shares are listed on the Colombo Stock Exchange and publicly traded. The registered office of the Company is located at No. 327, Union Place, Colombo 02, and the principal places of business are situated at Hotel Suisse No. 30, Sangaraja Mawatha, Kandy and Queen's Hotel, No. 04, Dalada Veediya, Kandy.

1.2 Consolidated financial statements

The consolidated financial statements of the Group for the year ended 31 March 2026 comprise the Company and its Subsidiaries (together referred to as "the Group") refer to The Kandy Hotels Company (1938) PLC, Suisse Hotel (Pvt) Ltd, United Hotels Company Ltd ('UHC'), Tissa Resort (Pvt) Ltd ('TRL'), Ceylon Hotels Maldives (Pvt) Ltd ('CHML') and the Group's interest in equity-accounted investees. Suisse Hotel Kandy (Pvt) Ltd is a joint venture for the Group.

The consolidated financial statements of the Group for the year ended 31 March 2026 were authorised for issue in accordance with a resolution of the Board of Directors on 28th August 2026.

1.3 Principal Activities and nature of operations

During the year, the principal activities of the Company and Group were the provision of food, beverage, lodging and other hospitality industry-related activities.

1.4 Parent entity and ultimate parent entity

The Group's parent undertaking is Ceylon Hotels Corporation PLC. In the opinion of the Directors, the Company's ultimate parent undertaking and controlling party is The Galle Face Hotel Co. Ltd., which is incorporated in Sri Lanka.

The financial statements of the subsidiaries in the Group are prepared for a common financial year, which ends on 31 March.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements of the Group and the Company 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, which comprise Sri Lanka Financial Reporting Standards (SLFRS), Sri Lanka Accounting Standards (LKAS), relevant interpretations of the Standing Interpretations Committee ('SIC') and International Financial Reporting Interpretations Committee ('IFRIC') and with the requirements of the Companies Act No. 7 of 2007.

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis; except for the Property, Plant and Equipment that are recognised at cost at the time of the acquisition and subsequently measured under revaluation model and the investments in unquoted shares that are recognised at fair value through OCI.

Where appropriate, the specific policies are explained in the succeeding Notes.

No adjustments have been made for inflationary factors in the financial statements.

2.3 Functional and presentation currency

Items included in the financial statements of the Group are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Sri Lanka Rupee (Rs.), which is the Company's and the Group's functional and presentation currency.

2.4 Comparative information

The financial statements provide comparative information with respect to the previous year. The accounting policies have been consistently applied by the Group and, are consistent with those used in the previous year.

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

2.5 Materiality and aggregation

Each material class of similar items is presented separately in the consolidated financial statements. Items of a dissimilar nature or function are presented separately unless they are immaterial.

2.6 Going Concern

When preparing the financial statements, the Board of Directors made an assessment of the Group's ability to continue as a going concern considering all the current internal and external environmental factors, including the business impact of the overall tourism industry and they do not intend either to liquidate or to cease trading.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below.

3.1 Basis of consolidation

The Consolidated financial statements comprise the financial statements of the Company and the subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct relevant activities of the entity.

Specifically, the Group controls an entity 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
- 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
- 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.

The acquisition method of accounting is used to account for business combinations by the Group. Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, statement of changes in equity, and statement of financial position.

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. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between group companies are eliminated in full on consolidation.

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 derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

3.2 Subsidiaries

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

Subsidiaries	2026	2025	Nature of the Operations
Suisse Hotel (Private) Limited	100%	100%	Investing in hotel industry
United Hotels Company Ltd	100%	100%	Business of Hotel Services
Tissa Resort (Pvt) Ltd	100%	100%	Business of Hotel Services
Ceylon Hotels Maldives (Pvt) Ltd	100%	100%	Activities of Holding Company

The financial statements of the subsidiaries are prepared in compliance with the Group's accounting policies, unless stated otherwise.

Investments in subsidiaries are carried at cost, less impairments (if any) in the separate financial statements.

3.3 Business Combination and Goodwill

The cost of an acquisition of business combinations accounted for using the acquisition method is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organised workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not re-measured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of SLFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the Statement of Profit or Loss in accordance with SLFRS 9. Other contingent consideration that is not within the scope of SLFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in the Statement of Profit or Loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests) and any previous interest held over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in the Statement of Profit or Loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed of in this circumstance is measured based on the relative values of the disposed operation and the portion of the cash generating unit retained.

The profit or loss and net assets of a subsidiary attributable to equity interests that are not owned by the parent, directly or indirectly through subsidiaries, is disclosed separately under the heading "Non-controlling Interest".

3.4 Business combinations under common control

Option of adopting either acquisition method or pooling of interests method is available for accounting for a business combination under common control only when the business combination has a substance for the combining parties.

The criteria to determine whether business combination has a substance are:

- The purpose of the transaction
- The involvement of outside parties in the transaction, such as non–controlling interests or other third parties
- Whether or not the transaction is conducted at fair value
- The existing activities of the entities involved in the transaction
- Whether or not it is bringing entities together into a reporting entity that did not exist before

If there is no substance to the transaction, the pooling of interests method is the only method that can be applied to the business combination transaction.

The pooling of interests method is considered to involve the following:

- The assets and liabilities of the combining parties are reflected at their carrying amounts.
- No 'new' goodwill is recognised as a result of the combination, instead difference between consideration and book value of net assets recorded in equity.
- The income statement reflects the results of the combining parties.
- Intangible assets and contingent liabilities are recognised only to the extent that they were recognised by the acquiree.
- any non-controlling interest is measured as a proportionate share of the book values of the related assets and liabilities.

3.5 Investment in joint venture

A joint venture is a jointly controlled entity whereby the Group and other parties have a contractual arrangement that establishes joint control over the economic activities of the entity. The arrangement requires unanimous agreement for financial and operating decisions among the ventures.

The Group's investment in joint ventures is accounted for using the equity method of accounting. A joint venture is an entity in which the Group has significant influence and which is neither a subsidiary nor an associate.

Under the equity method, the investment in the joint venture is carried in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the joint venture. Goodwill relating to a joint venture is included in the carrying amount of the investment and is not amortised. The income statement reflects the share of the results of operations of the joint venture. Where there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity. Profits and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture.

Where the Group's share of losses in an equity- accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

The reporting dates of the joint venture and the Group are identical and the joint ventures accounting policies conform to those used by the Group for transactions and events in similar circumstances.

Joint ventures entered into by the Group that have been accounted for under the equity method are;

Joint venture	2026	2025	Nature of the Operations
Suisse Hotels Kandy (Pvt) Ltd	50%	50%	Operation of Hotel services

Upon loss of joint control, the Group measures and recognises its remaining investment at its fair value. Any differences between the carrying amount of the former jointly controlled entity upon loss of joint control and the fair value of the remaining investment and proceeds from disposal are recognised in the income statement. When the remaining investment constitutes significant influence, it is accounted for as an investment in a joint venture.

3.6 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.

3.7 Foreign currency translations

Transactions in foreign currencies are initially recorded by the Group at the functional currency rates prevailing at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. All differences are recognised in the statement of Profit or Loss.

3.8 Current versus non-current classification

The Group presents assets and liabilities in the Statement of Financial Position based on current/non-current classifications.

An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in a 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 a normal operating cycle
- Held primarily for the purpose of trading
- Due to be settled within twelve months after the reporting period, or
- It does not have a right at the reporting date to defer the statement of the liability by the transfer of cash or other assets for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities

3.9 Accounting for leases where the Group and the Company are the lessee

Leases are recognised as right-of-use ('ROU') asset and a corresponding liability at the date on which the leased asset is available for use by the Group and the Company (i.e. the commencement date)

Contracts may contain both lease and non-lease components. The Group and the Company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in SLFRS 16.

3.9.1 As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of properties the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

(a) ROU assets

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right- of-use asset will be depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group and the Company is reasonably certain to exercise purchase option, the ROU asset is depreciated over the underlying asset's useful life. The ROU assets are adjusted for certain measurement of the lease liabilities. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

(b) 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 Group's incremental borrowing rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise of the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

Lease payments are discounted using the interest rate implicit in the lease. If the rate cannot be readily determined, which is generally the case for leases in the Group and the Company, the lessee's incremental borrowing is used. This is the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the ROU in a similar economic environment with similar term, security and conditions.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured   if there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit and loss over the lease period so as to produce a constant rate of return on the remaining balance of the liability for each period.

Variable lease payments that depend on sales are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in 'right-of-use asset' and 'lease liabilities' in the statement of financial position.

3.9.2 Short-term leases and leases of low-value assets

Short-term leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture. The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. Payments associated with short-term leases of low value assets are recognised on a straight-line basis as an expense in profit or loss.

3.9.3 Lease modifications

The Group shall account for a lease modification as a separate lease if both:

a) the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

b) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, at the effective date of the lease modification the Group shall:

a) allocate the consideration in the modified contract

b) determine the lease term of the modified lease

c) remeasure the lease liability by discounting the revised lease payments using a revised discount rate. The revised discount rate is determined as the interest rate implicit in the lease for the remainder of the lease term, if that rate can be readily determined, or the lessee's incremental borrowing rate at the effective date of the modification, if the interest rate implicit in the lease cannot be readily determined.

For a lease modification that is not accounted for as a separate lease, the Group shall account for the remeasurement of the lease liability by:

a) decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease. The lessee shall recognise in profit or loss any gain or loss relating to the partial or full termination of the lease.

b) making a corresponding adjustment to the right- of-use asset for all other lease modifications.

3.10 STATEMENT OF PROFIT OR LOSS

For the purpose of the presentation of the statement of Profit or Loss, the function of expenses method is adopted, as it fairly represents the elements of Group performance.

3.10.1 Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of the goods and services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods and services.

Goods and services deliverable under contracts with customers are identified as separate performance obligations ('obligations') to the extent that the customer can benefit from the goods or services on their own or together with other resources that are readily available to the customer and that the separate goods and services are considered distinct from other goods and services in the agreement. Where individual goods and services do not meet the criteria to be identified as separate performance obligations they are aggregated with other goods and/or services in the agreement until a separate performance obligation is identified.

Revenue is recognised when the respective obligations in the contract are delivered to the customer and payment remain probable.

The specific recognition criteria described below must also be met before revenue is recognised.

a) Room Revenue

Room revenue is recognised when the rooms are occupied on a daily basis. The performance obligation is to provide the right to use accommodation for a given number of nights, and the transaction price is the room rate for each night determined at the time of booking. The performance obligation is met when the customer is given the right to use the accommodation, and so revenue is recognised for each night as it takes place, at the room rate for that night.

b) Food and beverage revenue

The contract is established when the customer orders the food or beverage item, and the performance obligation is the provision of food and beverage by the Group and the Company. The performance obligation is satisfied when the food and beverage are delivered to the customer (at a point of time), and revenue is recognised at this point at the price in the items purchased.

c) Interest income

For all financial instruments measured at amortised cost, interest income is recognised using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the statement of profit or loss.

Interest income on bank balances and bank deposits are recognised on an accrual basis.

d) Rental income, other income and gains

Rental income, other income and gains are recognised in the statement of profit or loss as it accrues.

Contract balances

- Contract Liabilities

Contract liabilities are considered to be the hotel's obligation to transfer goods and services to a customer for which the Group and the Company have received consideration from the customer. If a customer pays consideration before the entity transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Short-term advances include in the contract liabilities which is received to render certain services. Contract liabilities of the Group/ Company have been disclosed in other current liabilities Note 32.

Contract liabilities are recognised as revenue when the entity performs under the contract.

- Contract Cost Assets

The costs that are directly related to the acquisition and fulfilment of customer contracts are recognised as contract cost assets and amortised on a systematic basis that is consistent with the fulfilment of the performance obligation. The Group has elected the practical expedient to recognise contract cost assets incurred related to contracts with an amortisation period of less than one year as an expense when incurred.

A contract asset is initially recognised for revenue earned from room sales because the consideration is receiving at the departure of the guests. Upon departure of guests, the amount recognised as contract assets is reclassified to trade receivables.

3.10.2 Expenses

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 the statement of Profit or Loss in the year in which the expenditure is incurred.

3.10.3 Finance income and Finance costs

Finance income comprises interest income on funds invested in fixed deposits, saving accounts and intercompany loans. Interest income is recognised as it accrues in the statement of Profit or Loss based on EIR.

Finance costs comprise interest expense on loans and borrowings. 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.

3.10.4 Tax expense

Tax expense for the period comprises current and deferred income tax. The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. The Group and the Company measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of uncertainty.

The profits and income of the Company, its subsidiaries, and equity-accounted investees which are resident in Sri Lanka is calculated in accordance with the Inland Revenue Act No. 24 of 2017 amendment Act No. 45 of 2022 and its amendments thereto.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or 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 the taxable profit or loss.
- In respect of taxable temporary differences associated with investments in the subsidiary and the joint venture when 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, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised 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:
- When 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 the taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiary and joint venture deferred tax assets, they 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 assets 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 that have been enacted or are substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction, either in other comprehensive income or directly in equity.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed.

Tax withheld on dividend income from the subsidiary is recognised as an expense in the consolidated statement of Profit or Loss at the same time as the liability to pay the related dividend is recognised.

Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax, except:

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- Receivables and payables that are stated with the amount of sales tax included

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

3.10.5 Value added Tax

Revenues, expenses and assets are recognised net of the amount of VAT except where the VAT incurred on a purchase of assets or services is not recoverable from the taxation authorities in which case the VAT is recognised as a part of the cost of the asset or part of the expense items as applicable and receivable and payable that are stated with the amount of VAT included. The amount of VAT recoverable or payable in respect of taxation authorities is included as a part of receivable and payable in the statement of financial position..

3.10.6 Social Security Contribution Levy (SSCL)

Social Security Contribution Levy shall be paid by any person carrying on the business of supplying financial services, on the liable turnover specified in the second schedule of the Social Security Contribution Levy Act No 25 of 2022, at the rate of 2.5%, with effect from 1st October 2022.

3.10.7 Segment Reporting

A segment is a distinguishable component of an enterprise that is engaged in either providing products or services (Business Segment) or in providing products or services within a particular economic environment (Geographical Segment), which is subject to risks & rewards that are different from those of the segment. However, there are no distinguishable components to be identified as segments for the Company or Group.

3.10.8 Earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to owners of the Group and the Company by the weighted average number of ordinary shares outstanding during the financial year.

For the diluted earnings per share calculation, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares.

3.11 Fair value measurement

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 most advantageous market must be accessible to 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 measures Land and Buildings and investment in equity shares at fair value. Fair value related disclosures for financial and non-financial assets that are measured at fair value are summarised in the following notes:

- Land and Buildings under revaluation model Note 14

The determination of fair value for financial assets and financial liabilities for which there is no observable market price requires the use of valuation techniques. The Group and the Company measure fair values using the following fair value hierarchy that reflects the significance of inputs used in making the measurements.

- Level 1 — Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 — Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from price)
- Level 3 — Inputs for the asset or liability that are not based on observable market data (that is unobservable inputs.)

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

The Group's management determines the policies and procedures for recurring fair value measurement, such as for lands and buildings and Investments in unquoted equity shares.

3.12 Assets and bases of their valuation

3.12.1 Property, plant and equipment

3.12.1.1Recognition and measurement

(a) Cost and revaluation

Property, Plant and equipment (other than land and buildings) is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Historical costs include expenditure that is directly attributable to the acquisition including the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

The carrying amount of any component accounted for as a separate asset is derecognised when replaced.

All other repair and maintenance are charged to the statement of profit or loss during the reporting period which they are incurred.

Land and buildings are measured at fair value less accumulated depreciation on buildings and impairment losses recognised at the date of revaluation. Revaluation of land is done with sufficient frequency to ensure that the carrying amount of the land does not differ materially from its fair value and is undertaken by professionally qualified valuers.

A revaluation surplus is recorded in OCI and credited to the asset revaluation surplus in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in profit or loss, the increase is recognised in profit and loss. A revaluation deficit is recognised in the statement of profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation surplus.

An annual transfer from the asset revaluation surplus to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation surplus relating to the particular asset being sold is transferred to retained earnings.

Upon disposal, any revaluation surplus relating to the particular asset being sold is transferred to retained earnings.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognised.

(b) Depreciation and residual value

Depreciation of asset begins when it is available for use. Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost, net of their residual values over the estimated useful lives or in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term as follows:

The estimated useful lives of property, plant and equipment have been revised with effect from 1st April 2023 and necessary adjustments to financial statements have been made prospectively.

Revised estimated useful lives of significant items of Property, Plant and Equipment are as follows:

	Estimated useful life (in years)
Buildings	50
Sewerage plant	20
Equipment	8
Furniture and fittings	15
Motor vehicles	05
Computer equipment	03
Air conditioners	05
Generators	20
Solar power hot water system	20

Depreciation on assets under construction or capital work-in-progress commences when the assets are ready for their intended use. Depreciation on PPE ceases at the earlier of derecognition or classification as held-for-sale.

The assets' residual values, useful lives and methods of depreciation are reviewed at the end of each financial year and adjusted prospectively, if appropriate.

(c) Impairment

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

(d) Gains or losses on disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount. These are included in the statement of profit and loss.

(e) Asset exchange transaction

PPE may be acquired in exchange for a non-monetary asset or for a combination of monetary and non-monetary assets is measured at fair value unless.

- the exchange transaction lacks commercial substance; or

- the fair value of neither the assets received, nor the assets given up can be measured reliably

The acquired item is measured in this way even if the Group and the Company cannot immediately de-recognise the assets given up. If the acquired item cannot be reliably measured at fair value, its cost is measured at the carrying amount of the asset given up.

(f) Repairs and maintenance

Repair and maintenance are charged to the statement of profit or loss during the period in which they are incurred.

The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group and the Company. This cost is depreciated over the remaining useful life of the related asset.

3.12.2 Intangible assets

3.12.2.1 Basis of Recognition

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

3.12.2.2 Basis of measurement

Intangible assets acquired separately are measured at cost at initial recognition. The costs of intangible assets acquired in a business combination are their fair value as at the date of acquisition. Acquired software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful life.

Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

The useful life of intangible assets is assessed as finite.

Intangible assets with finite lives are amortised over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The useful life of intangible asset is as follows;

Computer Software	Over 5 Years

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are 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 statement of profit or loss under the administrative expense category consistent with the function/ nature of the intangible asset. Amortisation was commenced when the assets were available for use.

Costs associated with maintaining software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the software product so that it will be available for use.
- Management intends to complete the software product and use or sell it.
- There is an ability to use or sell the software product.
- It can be demonstrated how the software will generate probable future economic benefits.
- Adequate technical, financial, and other resources to complete the development and to use or sell the software product are available; and
- The expenditure attributable to the software product during its development can be reliably measured.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

Intangible assets are de-recognised on disposal or when no future economic benefits are expected from their use. Gains or losses arising from the 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 income statement when the asset is derecognised.

3.12.3 Investment in subsidiaries

In the Company's separate financial statements, investments in subsidiaries stated at cost less accumulated impairment losses. When an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount.

On disposal of investment in subsidiaries, the difference between disposal proceeds and the carrying amount of the investments are recognised in comprehensive income. Disposal related costs are expensed as incurred.

3.12.4 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis (i.e., food and beverages, housekeeping, maintenance and other) and comprises all expenses incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale. In arriving at the net realisable value, due allowance is made for all obsolete and slow-moving items.

3.12.5 Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within a year and therefore all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, where they are recognised at fair value. They are subsequently measured at amortised costs using the effective interest rate method, less loss allowance.

Other receivables generally arise from transactions outside the usual operating activities of the Group and the Company.

3.12.6 Cash and cash equivalents

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of presentation in the statement of cash flows, cash and cash equivalents consist of cash on hand, deposits held at call with financial institutions and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Bank overdrafts which are repayable on demand form an integral part of the Group's cash management are included as a component of cash and cash equivalents in the statement of cash flows. Bank overdrafts are included within borrowings in current liabilities in the statement of financial position.

3.12.7 Impairment of non-financial assets

The Group assesses at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an assets or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

3.12.8 Calculation of recoverable amount

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups.

3.12.9 Impairment/ reversal of impairment

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in statement of Profit or Loss. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

The impairment loss is charged to the statement of profit or loss. Any subsequent increase in recoverable amount is recognised in the statement of profit or loss.

3.13 Financial instruments – initial recognition and subsequent measurement

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

3.13.1 Financial Assets

Initial recognition and measurement

The Group and the Company classify its financial assets in the following measurement categories.

- those to be measured at cost, and
- those to be measured subsequently at fair value either through Other Comprehensive Income (OCI) or through profit or loss

The classification depends on the financial assets' contractual cash flow characteristics and the Company's and the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investment in equity instruments that are not held for trading, this will depend on whether the Group and the Company have made an irrevocable election at the time of initial recognition to account for the equity.

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 the 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 financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective of holding financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

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

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

(i) Debt Instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies the debt instruments.

a) Amortised cost: Asset that are held for collection of contractual cash flows where those cash flows represents solely the payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in the finance income using Effective Interest Rate (EIR) method. Any gain or loss arising on derecognition is recognised directly in comprehensive income and presented in other income/ (losses).

b) FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payment of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken though OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in comprehensive income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to comprehensive income and recognised in other income/ (losses). Interest income from these financial assets is included in finance income using the effective interest rate method.

c) FVTPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt instrument that is subsequently measured at FVTPL is recognised in comprehensive income and presented net within other gains/(losses) in the period in which it arises.

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest rate (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 cash and bank balances, trade receivables, advances and prepayments.

Financial assets at fair value through OCI (debt instruments)

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.

The Group's debt instruments at fair value through OCI includes investments in quoted debt instruments included under other non-current financial assets.

The Group does not have any financial instrument under this category as at the reporting date.

(ii) Equity Instruments

The Group and the Company subsequently measure all equity instruments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to comprehensive income following the derecognition of the investment. Dividends from such investments continue to be recognised in comprehensive income as other income when the Group's right to receive payments is established. Changes in the fair value of financial assets at FVTPL are recognised in other gains/ (losses) in the statement of comprehensive income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Investments measured at FVOCI are not reported separately from other changes in fair value.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to irrevocably classify 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 into 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 assessments.

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. 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.

This category includes derivative instruments and listed equity investments that the Group has not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognised as other income in the statement of profit or loss when the right of payment has been established.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets)

is primarily derecognised (i.e., removed from the Group consolidated statement of financial position) 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 Group continues to recognise the transferred asset to the extent of its continuing involvement. 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 Company could be required to repay.

Impairment of financial assets

The Group and the Company assesses on a forward- looking basis the expected credit loss (ECL) associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

ECL represents a probability-weighted estimate of the difference between present value of cash flows according to the contracts and present value of cash flows the Group and the Company expect to receive, over the remaining life of the financial instruments.

The measurement of ECL reflects:

- An unbiased probability – weighted amount that is determined by evaluating a range of possible outcome;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecast of future economic conditions.

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

General 3-stage approach for Other Financial Assets – At each reporting date, the Group and the Company measures ECL through a loss allowance at an amount equal to the 12- month ECL if credit risk on a financial instrument or a group of financial instruments has not increased significantly since initial recognition. For all other financial instruments, a loss allowance at an amount equal to the lifetime ECL is required.

Based on the above process, financial assets are grouped into Stage 1, Stage 2, Stage 3 and purchased originated credit impaired (POCI), as described below.

Stage 1 – When financial assets are first recognised, the Group and the Company recognises an allowance based on 12-month ECLs. Stage 1 financial assets also include facilities where the credit risk has improved, and the financial asset has been reclassified from Stage 2.

Stage 2 – When a financial asset has shown a significant increase in credit risk since origination, the Group and the Company records an allowance for the lifetime ECLs. Stage 2 financial assets also include facilities, where the credit risk has improved, and the financial asset has been reclassified from Stage 3.

Stage 3 – Financial assets considered as credit impaired. The Group and the Company records an allowance for the lifetime ECLs.

Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit adjusted EIR. ECLs are only recognised or released to the extent that there is a subsequent change in the expected credit losses.

For trade receivables, the Group and the Company apply the simplified approach permitted by SLFRS 9, 'Financial Instruments', which requires expected lifetime losses to be recognised from initial recognition of the receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of customers and the corresponding historic credit losses experienced within this period. The historic loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. GDP, inflation, exchange rates, interest rates and unemployment rates are considered the most relevant factors for the Group and the Company.

Trade receivables which are in default or credit impaired or have individually significant balances, are separately assessed for ECL measurement.

3.13.2 Financial liabilities

Initial recognition and measurement

The Group and the Company classify their financial liabilities in the following categories: trade and other payables (excluding statutory liabilities), borrowings and other financial liabilities. Management determines the classification of financial liabilities at initial recognition.

Financial instruments issued by the group and the Company, that are not designated at fair value through profit or loss, are carried at amortised cost.

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, other current liabilities and Bank loans included in interest-bearing loans and borrowings and bank overdrafts.

Subsequent measurement

Financial liabilities are initially recognised at fair value net of transaction costs and subsequently carried at amortised cost using effective interest rate method. They are included in current liabilities, except for maturities greater than 12 months after the end of the reporting date in which they are classified as non-current liabilities.

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortised cost (loans and borrowings)

Financial liabilities at amortised cost (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 profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

The 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 as finance costs in the statement of profit or loss.

This category generally applies to interest bearing loans and borrowings.

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.

3.13.3 Offsetting of financial instruments

Financial assets and financial liabilities are offset, and the net amount is presented in the statement of financial position when there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy.

3.14 Stated Capital

(a) Classification

Ordinary shares with discretionary dividends are classified as equity. Other shares are classified as equity or liability according to the economic substance of the particular instrument. Distribution to holders of a financial instrument classified as an equity instrument is charged directly to equity.

(b) Dividends to shareholders of the Company

Dividend distribution is recognised as liability in the Company's and the Group's financial statements in the period in which the dividends are approved by the Company's shareholders. Distributions to holders of an equity instrument is recognised directly in equity.

3.15 Trade payables

Trade payables represent liabilities for goods and services provided to the Group and the Company prior to the end of financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using effective interest method.

3.16 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and redemption amount is recognised in the statement of profit or loss over the period of the borrowing using the effective interest method.

Fee paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawn down occurs. To the extent there is no evidence that some or all of the facility will be draw down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. Borrowings are classified as current liabilities unless the Group and the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(a) Borrowing costs

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. General and specific borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset.

Investment income earned on temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are expensed in the period in which they occur.

3.17 Employee benefits

a) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to Provident and Trust Funds covering all employees are recognised as an employee benefit expense in statement of Profit or Loss in the periods during which services are rendered by employees.

The Group contributes 12% and 3% of the basic or consolidated wage or salary of each eligible employee as provident fund and trust fund contributions, respectively. The contributions are recognised as employee benefit expense when they are due. The Group and the Company have no further payment obligation once the contributions have been paid. The Company and the employees are members of these defined contribution plans.

b) Defined benefit plans

A defined benefit plan specifies the amount of benefit an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The defined benefit plan comprises the gratuity provided under the payment of Gratuity Act, No. 12 of 1983.

The liability recognised in the statement of financial position in respect of defined benefit plan is the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated annually by independent actuaries.

The present value of the defined benefit obligation is determined by discounting the estimated future cash flows using the yield rate of long-term government bonds that have terms to maturity approximating to the terms of the related defined benefit obligation.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligations and included in employee benefit expense in the statement of profit or loss. The current service cost of the defined benefit plan reflects the increase in the defined benefit obligations resulting from the employees in the current year. It is recognised in the statement of profit or loss in employee benefit expense, except where included in the cost of an asset. Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in the statement of profit or loss as past service costs.

Recognition of actuarial gains or losses

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the statement of changes in equity and the statement of financial position. The assumptions based on which the results of the actuarial valuation were determined, are included in note 30 to the financial statements.

c) Short term benefits

Wages, salaries, bonuses and non- monetary benefits that are expected to be settled in full within twelve (12) months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

3.18 Provisions

Provisions are recognised when the Group and the Company have a present obligation (legal or constructive) as a result of a past event, 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. Provisions are not recognised for future operating losses.

When the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

When there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any item included in the same class of obligations may be small.

Provisions are measured at the present value of Management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

3.19 Contingent assets and contingent liabilities

The Group and the Company do not recognise contingent assets and liabilities but disclose their existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the group and the Company or present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably. However, contingent liabilities do not include financial guarantee contracts.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group and the Company. The Group does not recognise a contingent asset but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

Contingent liabilities and Capital Commitments of the Group are disclosed in the respective notes 34 and 35 to the financial statements respectively.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with SLFRS/LKAS's requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Judgements and estimates are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Hence actual experience and results may differ from these judgements and estimates.

The Group and the Company make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period and any future periods.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

a) Fair value of land and buildings

The Group carries its land and buildings at fair value, with changes in fair value recognised in the statement of OCI. The valuer has used valuation techniques such as market values and depreciated replacement cost methods where there was a lack of comparable market data available based on the nature of the property.

The land was valued by reference to transactions involving properties of a similar nature, location and condition. The Group engaged an independent valuation specialist to determine the fair values of land and buildings as of 31 March 2025. The details of valuation techniques and significant unobservable inputs are detailed in Note 14.4.

b) Estimated useful lives of PPE and intangible assets.

The Group and the Company review annually the estimated useful lives of PPE and intangible assets based on factors such as business plan and strategies, expected level of usage. Future results of operations could be materially affected by changes in these estimates brought by changes in the factors mentioned. A reduction in the estimated useful lives of PPE and intangible assets would increase the recorded depreciation and amortisation charge and decrease the carrying value.

c) Estimation of income taxes in relation to uncertain tax position

Judgement is involved in determining the Company's and the Group's provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group and the Company recognise liabilities for tax matters based on estimates of whether additional taxes will be due. If the final outcome of these taxes result in a difference in the amounts initially recognised, such differences will impact the income tax and/ or deferred income tax provisions in the period in which such determination is made.

d) Recognition of deferred income tax assets

1. Taxes

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised.

This involves significant management judgement regarding future financial performance is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

e) Impairment of non-financial assets

The Group and the Company test annually the indicators to ascertain whether non-financial assets (including intangibles) have suffered any impairment, in accordance with the accounting policy stated in the financial statements. These calculations require the use of estimates.

f) Estimation of the defined benefit obligations

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.

The assumptions used in determining the net cost (income) for defined benefit plan include the discount rate, future salary increase rate, mortality rate, withdrawal and disability rates and retirement age. Any changes in these assumptions will impact the carrying amount of defined benefit plan. The Group and the Company determine the appropriate discount rate at the end of each financial reporting period. This is the interest rate that should be used to determine the present value of estimated future cash outflows, expected to be required to settle the defined benefit plan. In determining the appropriate discount rate, the Group and the Company consider the interest yield of long-term government bonds that are denominated in the currency in which the benefit will be paid, and that have terms to maturity approximating the terms of the related defined benefit plan. Other key assumptions for defined benefit plan are based in part on current market conditions as disclosed in Note 30 to the financial statements.

g) Estimation of provisions

The Group and the Company recognise provisions when they have a present legal or constructive obligation arising as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. The recording of provisions requires the application of judgements about the ultimate resolution of these obligations. As a result, provisions are reviewed at the end of each financial reporting period and adjusted to reflect the Company's and the Group's current best estimate.

h) Estimation of contingent liabilities

Determination of the treatment of contingent liabilities in the financial statement is based on the management's view of the expected outcome of the applicable contingency. The Group and the Company consult legal counsel on matters related to litigation and other experts both within and outside the Group and the company with respect to matters in the ordinary course of business.

i) Impairment of financial assets

The loss allowance for financial assets is based on assumptions about risk of default and expected loss rates. The Group and the Company use judgements in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's and the Group's history and existing market conditions, as well as forward-looking estimates at the end of each reporting period.

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns. Management considered 100% ECL for debtors aged more than 180 days in determining the provision matrix for ECL.

The provision matrix is initially based on the Group's historical observed default rates. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

5 NEW ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS ISSUED BUT NOT EFFECTIVE AS AT REPORTING DATE

The new and amended standards and interpretations that are issued up to the date of issuance of the Company's financial statements but are not effective for the current annual reporting period, are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

a) SLFRS 18 Presentation and Disclosure in Financial Statements

SLFRS 18, which replaces LKAS 1, introduces significant enhancements to the way financial information is organised and communicated. The standard establishes new categories and subtotals 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 01 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.

b) 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 for users.

SLFRS 19 applies to Specified Business Enterprises, as defined in the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995. Subsidiaries that fall within this category and do not have public accountability are eligible to apply for SLFRS 19. The Standard becomes effective for annual reporting periods beginning on or after 01 January 2027. Early application is permitted.

c) 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 01 January 2026.

6 REVENUE

Year ended 31 March	Group 2026 Rs.	Group 2025 Rs.	Company 2026 Rs.	Company 2025 Rs.
Revenue from contracts with customers (Note 6.1)	2,215,630,161	1,506,059,786	920,299,712	527,146,829
	2,215,630,161	1,506,059,786	920,299,712	527,146,829

6.1 Disaggregation of revenue from contracts with customers

The companies in the Group are primarily involved in hoteliering and generate revenue from provision of accommodation, food, beverages and other related services to customers.

Year ended 31 March	Group 2026 Rs.	Group 2025 Rs.	Company 2026 Rs.	Company 2025 Rs.
Business lines				
Room revenue	1,208,280,714	773,342,818	471,803,450	221,063,113
Food and beverage revenue	915,336,110	676,210,852	395,969,713	264,816,339
Other revenue	92,013,337	56,506,116	52,526,549	41,267,377
Total revenue	2,215,630,161	1,506,059,786	920,299,712	527,146,829
Timing of revenue recognition				
Products and services transferred over time	1,208,280,714	773,342,818	471,803,450	221,063,113
Products and services transferred at a point in time	1,007,349,447	732,716,968	448,496,262	306,083,716
Total revenue	2,215,630,161	1,506,059,786	920,299,712	527,146,829

7 OTHER OPERATING INCOME

Year ended 31 March	Group 2026 Rs.	Group 2025 Rs.	Company 2026 Rs.	Company 2025 Rs.
Sundry income	1,330,133	16,472,187	1,267,833	1,893,848
Profit from disposal of property plant and equipment	600,050	-	600,050	-
	1,930,183	16,472,187	1,867,883	1,893,848

8 OTHER OPERATING EXPENSES

Year ended 31 March	Group 2026 Rs.	Group 2025 Rs.	Company 2026 Rs.	Company 2025 Rs.
Provision/ (reversal) for obsolete and slow moving stock	(1,868,226)	2,031,136	-	-
Impairment provision/(reversal) on amounts due from related companies	(932,432)	668,004	-	-
Provision/ (reversal) for trade and other receivables	7,039,569	-	(200,000)	-
	4,238,911	2,699,140	(200,000)	-

9 FINANCE INCOME AND COST

Year ended 31 March	Group 2026 Rs.	Group 2025 Rs.	Company 2026 Rs.	Company 2025 Rs.
9.1 Interest income on:				
Saving accounts and fixed deposits	44,761,065	56,974,893	24,806	16,170
Intercompany loans	127,235,495	93,659,753	830,740	708,000
Finance income	171,996,560	150,634,646	855,546	724,170
9.2 Interest expenses on:				
Bank overdrafts	109,715,533	70,981,472	17,937,763	13,073,352
Bank loans	98,981,627	119,472,123	44,795,444	56,603,937
Leases	16,088,357	16,467,154	-	-
Intercompany loans	-	-	116,931,503	54,493,438
Bank charges	4,685,630	3,366,849	2,619,444	1,669,943
Finance cost	229,471,147	210,287,598	182,284,154	125,840,670

10 PROFIT/(LOSS) BEFORE TAX

Year ended 31 March	Group 2026 Rs.	Group 2025 Rs.	Company 2026 Rs.	Company 2025 Rs.
Profit/(Loss) before income tax is stated after charging all expenses including the following:				
Auditors' remuneration				
- Statutory audit	3,697,742	2,908,768	1,180,000	1,148,090
- Non audit services	360,000	360,000	360,000	360,000
Staff cost (Note 10.1)	478,575,794	360,547,186	253,862,740	141,023,461
Depreciation on property, plant and equipment (Note 14)	160,876,996	150,886,883	97,383,577	75,784,320
Amortisation of intangible assets (Note 15)	953,723	634,808	200,963	204,308
Amortisation of right of use assets (Note 16)	5,196,917	5,196,918	-	-
Provision/ (reversal) for impairment of trade receivables (Note 8)	7,039,569	-	(200,000)	-
Provision / (reversal) for impairment of related parties (Note 8)	(932,432)	668,004	-	-
Donations	960,216	93,624	960,216	61,296
Management fees	101,386,946	35,445,843	36,191,750	6,257,714
Professional fees	6,270,851	3,368,353	2,654,598	482,145
Legal fees	3,119,774	6,860,037	862,107	1,605,867
Provision/(reversal) for inventory	(1,868,226)	2,031,136	-	-
10.1 Staff cost				
- Wages, salaries and staff expenses	301,495,992	238,258,785	159,241,817	93,783,841
- Defined contribution plans - EPF and ETF	37,545,630	21,026,118	19,966,190	8,892,684
- Defined benefit obligation	5,427,379	4,838,341	2,141,648	1,253,594
- Other staff expenses	134,106,793	96,423,942	72,513,085	37,093,342
	478,575,794	360,547,186	253,862,740	141,023,461

11 INCOME TAX EXPENSE/ (REVERSAL)

11.1 The major components of income tax expenses for the year ended 31 March are as follows;

	Group		Company	
Year ended 31 March	2026	2025	2026	2025
	Rs.	Rs.	Rs.	Rs.
Current tax				
Income tax expense for the year (Note 11.4)	63,558,653	-	-	-
Over provision in respect of prior years	-	(5,947,558)	-	-
	63,558,653	(5,947,558)	-	-
Deferred income tax				
Deferred tax charge/ (reversal) for the year (Note 29)	6,351,045	(53,622,771)	(31,282,258)	(37,840,419)
Income tax charge/ (reversal) for the year	(69,909,698)	(59,570,329)	(31,282,258)	(37,840,419)

11.2 Amounts recognised in Other Comprehensive Income

Deferred tax				
Deferred tax charge/ (reversal) for the year (Note 29)	281,063	313,647,992	(191,588)	314,207,094
	281,063	313,647,992	(191,588)	314,207,094

11.3 Deferred Tax Charged to;

Profit or loss	6,351,045	(53,622,771)	(31,282,258)	(37,840,419)
Other Comprehensive Income				
-On revaluation (gain) / loss	-	314,352,020	-	314,352,020
-On actuarial (gain) / loss	281,063	(704,028)	(191,588)	(144,926)
Total deferred tax charge/ (reversal)	6,632,108	260,025,221	(31,473,846)	276,366,675

Applicable Income Tax Rates

a). The income tax provision of The Kandy Hotels Company (1938) PLC, its subsidiaries, and equity-accounted investees which are resident in Sri Lanka is calculated in accordance with the Inland Revenue Act No. 24 of 2017 amendment, Act No. 45 of 2022 and its amendments thereto.

(b). The Subsidiaries, being Companies engaged in the promotion of tourism is liable for tax at a standard rate of 30% in terms of the Inland Revenue Act No. Act No. 45 of 2022 and its amendments thereto.

11.4 Reconciliation between accounting profit and income tax on current year profit

Year ended 31 March	Group		Company	
	2026 Rs.	2025 Rs.	2026 Rs.	2025 Rs.
Accounting profit / (loss) before income tax	284,642,814	52,315,271	(129,083,315)	(127,774,238)
Share of profit/ (loss) of joint venture	44,062,336	(8,389,605)	-	-
Other consolidation adjustments	-	(7,963,954)	-	-
	328,705,150	35,961,712	(129,083,315)	(127,774,238)
less: Taxable other income	(320,391,052)	(724,170)	(838,390)	(724,170)
less: Non taxable income	(49,374,891)	(192,236,147)	(68,909,029)	(298,350)
Adjustment on Disallowed expenses	215,439,125	199,058,002	102,277,179	79,215,002
less: Adjustment on allowable expenses	(256,171,805)	(204,764,866)	-	(65,030,551)
Net tax profit/(loss) for the year	(81,793,473)	(162,705,469)	(96,553,555)	(114,612,307)
Tax loss for the year	(183,527,483)	(279,975,850)	(96,553,555)	(114,612,307)
Tax profit for the year	101,734,011	117,270,380	-	-
Tax losses utilised during the year	(79,724,626)	(117,270,380)	-	-
Taxable income / (Loss) for the year	22,009,385	-	-	-
Other sources of income				
Interest income	320,391,052	150,634,646	838,390	724,170
Tax losses utilised during the year	(130,538,259)	(150,634,646)	(838,390)	(724,170)
Taxable other income	189,852,793	-	-	-
Income tax provision for the year is made up of the following:				
- Income tax @ 30%	63,558,653	-	-	-
Current income tax expense	63,558,653	-	-	-

11.5 Movement of brought forward tax losses

Tax losses brought forward	1,379,439,264	1,296,713,402	407,436,551	293,530,071
Adjustments to prior years	(43,151,968)	491,057,915	(2,697,365)	18,343
Tax losses utilised during the year	(210,262,885)	(267,905,026)	(838,390)	(724,170)
Tax losses expired during the year	(7,980,744)	(420,402,877)	-	-
Tax losses incurred during the year	183,527,483	279,975,850	96,553,555	114,612,307
Tax losses carried forward	1,301,571,150	1,379,439,264	500,454,351	407,436,551

11.6 Income tax liability / receivable

Year ended 31 March	Group 2026 Rs.	Group 2025 Rs.	Company 2026 Rs.	Company 2025 Rs.
Balance at the beginning of the year	(1,936,505)	4,011,053	-	-
Income tax charge/ (Reversal) during the year	63,558,653	-	-	-
Over provision in respect of previous years	-	(5,947,558)	-	-
Balance at the end of the year	61,622,148	(1,936,505)	-	-

12 EARNINGS/(LOSS) PER SHARE AND DIVIDENDS

(a) Basic earning/(loss) per share

Basic earnings/(loss) per ordinary share has been calculated by dividing the profit/(loss) attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

As at 31 March	Group 2026 Rs.	Group 2025 Rs.	Company 2026 Rs.	Company 2025 Rs.
Amount used as the numerator				
Profit/(loss) attributable to equity holders of the Company	214,733,116	111,885,601	(97,801,057)	(89,933,819)
Less : Preference share dividend	(37,500)	(37,500)	(37,500)	(37,500)
Profit/(loss) attributable to ordinary shareholders	214,695,616	111,848,101	(97,838,557)	(89,971,319)
Amounts used as the denominator :				
Weighted average number of ordinary shares	754,309,253	754,309,253	754,309,253	754,309,253
Basic earnings/(loss) per share (Rs.)	0.28	0.15	(0.13)	(0.12)

(b) Diluted loss per share

Diluted earnings/(loss) per share is calculated by dividing the net profit/(loss) for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year after adjustment for the effects of all dilutive potential ordinary shares.

As at 31st March 2026 & as at 31st March 2025 there were no dilutive potential ordinary shares. Hence diluted earnings/(loss) per share is same as basic earnings/(loss) per share.

(c) Dividends

The Company has not declared dividends for the financial year.

13 FAIR VALUE MEASUREMENT

13.1 GROUP

The determination of fair value for financial assets and financial liabilities for which there is no observable market price requires the use of valuation techniques. The Group and the Company measure fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

The following table represents the fair value of the financial and non- financial assets and liabilities that are measured at fair value at the end of the reporting period.

			Fair value measurement using		
	Date of valuation	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets measured at fair value:					
As at 31 March 2025					
Non financial assets					
Land and Buildings (Note 14)	31 March 2025	9,967,600,002	-	-	9,967,600,002
Non financial assets as at 31 March 2025		9,967,600,002	-	-	9,967,600,002
As at 31 March 2024					
Non financial assets					
Leasehold buildings (Note 14)	31 March 2024	10,200,804,365	-	-	10,200,804,365
Non financial assets as at 31 March 2024		10,200,804,365	-	-	10,200,804,365

13.1.1 Freehold Land & Buildings of the Company were revalued as at 31st March 2025 and Buildings on leasehold land of the Group were revalued as at March 2024 by an independent professional valuer Mr. S. Sivaskantha, F.I.V. (Sri Lanka) of Perera Sivaskantha & Company, Incorporated valuers, on the basis of Market Approach.

13.1.2 The fair value measurement for the lands and buildings of the Group has been categorised as a Level 3 fair value measurement based on the inputs to the valuation techniques used.

13.2 COMPANY

	Date of valuation	Total	Fair value measurement using Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets measured at fair value:					
As at 31 March 2025					
Non financial assets					
Land and Buildings (Note 14)	31 March 2025	9,967,600,002	-	-	9,967,600,002
Non financial assets as at 31 March 2025		9,967,600,002	-	-	9,967,600,002

Financial assets

Financial assets of which carrying values are reasonable approximates its fair value

The management assessed that the fair values of cash and short-term deposits, trade and other receivables approximate their carrying amounts largely due to the short-term maturities of these instruments.

Financial liabilities

Financial liabilities of which carrying values are reasonable approximates its fair value

The management assessed that the fair values of trade payables, bank overdrafts and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The fair value of the financial assets is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

14 PROPERTY, PLANT AND EQUIPMENT

14.1 Group

14.1.1 Gross carrying amount

	Balance as at 01.04.2025 Rs.	Additions Rs.	Disposals/ transfers Rs.	Balance as at 31.03.2026 Rs.
At cost or valuation				
Freehold land	6,987,655,000	-	-	6,987,655,000
Freehold buildings	2,979,945,002	-	13,699,085	2,993,644,087
Building on leasehold land	1,902,776,087	-	29,822,987	1,932,599,074
Furniture and fittings	297,383,705	16,174,717	8,640,376	322,198,798
Equipment	263,617,100	27,567,911	70,936	291,255,947
Computer equipment	58,715,093	5,592,155	(1,261,840)	63,045,408
Sewerage plant	22,124,262	-	-	22,124,262
Plant and machinery	254,950,493	5,460,433	-	260,410,926
Motor vehicles	464,000	-	-	464,000
Total value of depreciable assets	12,767,630,742	54,795,216	50,971,544	12,873,397,502
In the course of construction				
Capital work-in-progress	10,133,888	47,203,630	(55,443,221)	1,894,297
Total gross carrying amount	12,777,764,630	101,998,846	(4,471,677)	12,875,291,799

14.1.2 Accumulated Depreciation

	Balance as at 01.04.2025 Rs.	Depreciation charge for the year Rs.	Disposals/ transfers Rs.	Balance as at 31.03.2026 Rs.
Freehold buildings	-	59,615,672	-	59,615,672
Building on leasehold land	70,522,364	37,905,948	-	108,428,312
Furniture and fittings	130,877,178	18,165,915	(665,000)	148,378,093
Equipment	166,602,217	23,445,046	(2,543,989)	187,503,274
Computer equipment	45,382,875	6,832,291	(1,260,795)	50,954,371
Sewerage plant	17,758,927	1,106,213	-	18,865,140
Plant and machinery	93,814,081	13,805,911	-	107,619,992
Motor vehicles	464,000	-	-	464,000
Total accumulated depreciation	525,421,642	160,876,996	(4,469,784)	681,828,854

14.1.3 Net book value

Year ended 31 March	2026 Rs.	2025 Rs.
Freehold land	6,987,655,000	6,987,655,000
Freehold buildings	2,934,028,415	2,979,945,002
Building on leasehold land	1,824,170,762	1,832,253,723
Furniture and fittings	173,820,705	166,506,527
Equipment	103,752,673	97,014,882
Computer equipment	12,091,037	13,332,218
Sewerage plant	3,259,122	4,365,335
Plant and machinery	152,790,934	161,136,412
	12,191,568,648	12,242,209,099
In the course of construction		
Capital work-in-progress	1,894,297	10,133,888
Net book value	12,193,462,945	12,252,342,987

14.1.4 During the financial year, the Group acquired property, plant and equipment to the aggregate value of Rs.101,998,846/-. During the last financial year (2024/2025) the Group acquired and transferred property, plant and equipment to the aggregate value of Rs. 1,503,335,315/-, cash payments amounted to Rs. 761,922,159/- were made during the year for purchase of property, plant and equipment.

14.1.5 Based on the assessment carried out internally, it has been identified that there is no permanent impairment of property, plant and equipment which require provision in the financial statements based on reassessment as at 31 March 2026.

14.1.6 There were no capitalised borrowing costs related to the acquisition of property, plant and equipment during the year (2024/2025 - nil).

14.1.7 There were no restrictions on the title of the Property, Plant and Equipment as at 31 March 2026.

14.1.8 There were no items of Property, Plant and Equipment pledged as security as at 31 March 2026 other than disclosed in Note 28.1.

14.1.9 At 31 March 2026, property, plant and equipment includes fully depreciated assets that are still in use, the cost of which amounted to Rs. 125,171,024/- (2024/2025 - Rs. 118,755,252 /-).

14.2 Company

14.2.1 Gross carrying amount

	Balance as at 01.04.2025 Rs.	Additions Rs.	Disposals/ transfers Rs.	Balance as at 31.03.2026 Rs.
At cost or valuation				
Freehold land	6,987,655,000	-	-	6,987,655,000
Freehold buildings	2,979,945,002	-	13,699,085	2,993,644,087
Furniture and fittings	171,625,745	6,706,736	(665,000)	177,667,481
Equipment	118,081,024	13,164,749	(2,544,835)	128,700,938
Air conditioners	24,686,177	1,811,017	-	26,497,194
Generator	32,626,000	-	-	32,626,000
Computer equipment	35,693,284	2,130,748	(1,260,795)	36,563,237
Sewerage plant	22,124,262	-	-	22,124,262
Plant and machinery	21,740,453	-	-	21,740,453
Motor vehicles	464,000	-	-	464,000
Total value of depreciable assets	10,394,640,947	23,813,250	9,228,455	10,427,682,652
In the course of construction				
Capital work-in-progress	-	14,424,088	(13,699,087)	725,001
Total gross carrying amount	10,394,640,947	38,237,338	(4,470,632)	10,428,407,653

14.2.2 Accumulated Depreciation

	Balance as at 01.04.2025 Rs.	Depreciation Charge for the Year Rs.	Disposals/ transfers Rs.	Balance as at 31.03.2026 Rs.
Freehold buildings	-	59,615,672	-	59,615,672
Furniture and fittings	62,891,268	11,559,765	(665,000)	73,786,033
Equipment	72,810,605	14,764,061	(2,543,989)	85,030,677
Air conditioners	13,033,230	3,604,357	-	16,637,587
Generator	21,449,205	1,631,300	-	23,080,505
Computer equipment	32,214,177	4,015,186	(1,260,795)	34,968,568
Sewerage plant	17,758,927	1,106,213	-	18,865,140
Plant and machinery	7,089,023	1,087,023	-	8,176,046
Motor vehicles	464,000	-	-	464,000
Total accumulated depreciation	227,710,435	97,383,577	(4,469,784)	320,624,228

14.2.3 Net book value

Year ended 31 March	2026 Rs.	2025 Rs.
Freehold land	6,987,655,000	6,987,655,000
Freehold buildings	2,934,028,415	2,979,945,002
Furniture and fittings	103,881,448	108,734,477
Equipment	43,670,261	45,270,419
Air conditioners	9,859,607	11,652,947
Generator	9,545,495	11,176,795
Computer equipment	1,594,669	3,479,107
Sewerage plant	3,259,122	4,365,335
Plant and machinery	13,564,407	14,651,430
	10,107,058,424	10,166,930,512
In the course of construction		
Capital work-in-progress	725,001	-
Net book value	10,107,783,425	10,166,930,512

14.2.4 During the financial year, the Group acquired property, plant and equipment to the aggregate value of Rs. 38,237,338/-. During the last financial year (2024/2025) the Group acquired and transferred property, plant and equipment to the aggregate value of Rs. 1,474,237,364/-, cash payments amounted to Rs. 732,824,209/- were made during the year for purchase of property, plant and equipment.

14.2.5 Based on the assessment carried out internally, it has been identified that there is no permanent impairment of property, plant and equipment which require provision in the financial statements based on reassessment as at 31 March 2026.

14.2.6 There were no capitalised borrowing costs related to the acquisition of property, plant and equipment during the year (2024/2025 - Rs. 10,582,856/-).

14.2.7 There were no restrictions in the titles of the property plant and equipment and no assets were pledged as security for any financing arrangements as at 31 March 2026.

14.2.8 At 31 March 2026, property, plant and equipment includes fully depreciated assets that are still in use, the cost of which amounted to Rs. 46,703,604/- (2024/2025 - Rs. 40,551,290/-).

14.2.9 During the last financial year (2025), Hotel Suisse Kandy underwent a refurbishment programme. The majority of the additions to property, plant and equipment (PPE) during that year, amounting to Rs. 741,413,155, were related to this refurbishment.

14.3 Revaluation of property, plant and equipment

Freehold land and buildings of the Company were revalued by an independent professional valuer Mr. S. Sivaskantha, F.I.V. (Sri Lanka) of Perera Sivaskantha & Company, Incorporated valuers, on the basis of Market Approach as at 31st March 2025. There was no significant difference in the value of buildings of leasehold land in the Group compared to the last revaluation. Note 3.11 to the financial statements describes the valuation process of the Group.

Refer to Note 13 for the fair value measurement hierarchy of Group's non-financial assets.

Revaluation of freehold land and buildings for the year ended 31 March 2025	Land Rs.	Buildings Rs.
The Kandy Hotels Co. (1938) PLC		
Carrying Amount Prior to Revaluation	6,235,000,004	2,684,759,932
Add: Gain on Revaluation recognise in equity	752,654,996	295,185,070
Carrying Amount After the Revaluation	6,987,655,000	2,979,945,002

Buildings on leasehold land of the Group were revalued as at March 2024 by an independent professional valuer Mr. S. Sivaskantha, F.I.V. (Sri Lanka) of Perera Sivaskantha & Company, Incorporated valuers, on the basis of Market Approach.

Revaluation deficit for the year ended 31 March 2024	Buildings Rs.
United Hotels Company Limited and Tissa Resort (Pvt) Ltd	
Carrying Amount Prior to Revaluation	1,882,019,191
Add: Loss on Revaluation recognise in equity	(10,894,191)
Carrying Amount After the Revaluation	1,871,125,000

14.4 Valuation techniques and significant unobservable inputs

The following table shows the valuation techniques used for the Group in measuring Level 3 fair values, and the significant unobservable inputs used.

Name of the Company	Non financial assets	No. of Buildings/ Land	Location	Valuation Technique	Property Valuer and Qualification	Significant unobservable inputs	Sensitivity of the input to the fair value
The Kandy Hotels (1938) PLC	Freehold Land	02	Kandy	Open market value method	S. Sivaskantha, Fellow Member of Institute of Valuation, Incorporated valuer	Price per perch of land Rs. 8,000,000/- to Rs. 16,500,000/-	Estimated fair value would increase/ (decrease) if ;- Price per perch increases/ (decreases)
	Building	02	Hotel Suisse at 30, Sangaraja Mawatha, Kandy	Depreciated replacement cost method	S. Sivaskantha, Fellow Member of Institute of Valuation, Incorporated valuer	Price per sq. Ft Rs. 12,000/- to Rs. 32,000/-	Estimated fair value would increase/ (decrease) if ;- Price per square feet increases/ (decreases)
			Hotel Queen's at 04, Dalada Veediya, Kandy.				

Name of the Company	Non financial assets	No. of Buildings/ Land	Location	Valuation Technique	Property Valuer and Qualification	Significant unobservable inputs	Sensitivity of the input to the fair value
United Hotels Co. Ltd	Building	01	EKHO Lake house hotel Parakrama Samudraya Pedesa, Polonnaruwa	Investment Method	S Sivaskantha, Fellow Member of Institute of Valuation of Sri Lanka, Incorporated valuer	Range Rs.32,000 per sq. ft Depreciation rate - 42.5% Rate of Return - 13%	Estimated fair value would increase/ (decrease) if ;- Price per square feet increases/ (decreases)
	Building	01	EKHO Surf at Beach Road, Bentota	Investment Method	S Sivaskantha, Fellow Member of Institute of Valuation of Sri Lanka, Incorporated valuer	Range Rs.8,500/- to Rs.32,000/- per sq. ft Depreciation rate - 35% Rate of Return - 13%	Estimated fair value would increase/ (decrease) if ;- Price per square feet increases/ (decreases)
	Building	01	The Lake - Polonnaruwa	Investment Method	S Sivaskantha, Fellow Member of Institute of Valuation of Sri Lanka, Incorporated valuer	Range Rs.12,000/- to Rs.30,000/- per sq. ft Depreciation rate - 45% Rate of Return -13%	Estimated fair value would increase/ (decrease) if ;- Price per square feet increases/ (decreases)
Tissa Resort (Pvt) Ltd	Building	01	EKHO Safari at Kataragama Road, Tissamaharama	Depreciated replacement cost method	S Sivaskantha, Fellow Member of Institute of Valuation of Sri Lanka, Incorporated valuer	Range Rs. 9,000/- Rs. 26,500/- per sq. ft Depreciation rate - 47.5% Rate of Return - 17.5%	Estimated fair value would increase / (decrease) if :- Price per square feet increases/ (decreases)

The fair value measurement for the freehold land and buildings of the Group has been categorised as a Level 3 fair value measurement based on the inputs to the valuation technique used.

Significant increases/ (decreases) in estimated price per square and price per perch in isolation would result in a significantly higher/ (lower) fair value on a linear basis.

Open Market Value

The Open Market Value Method of valuation is a real estate appraisal approach used to determine the price a property would likely achieve if sold on the open market. This method considers the selling price of a similar property within a reasonably recent period of time in determining the fair value of property being revalued. This involves evaluation of recent active market price of similar assets, making appropriate adjustments for difference in size, nature and location of the property. This method assumes that the property is sold under normal market conditions, where both the buyer and seller are motivated but not under any undue pressure to complete the transaction.

Depreciated replacement cost method

The Depreciation Replacement Cost Method of valuation is a real estate valuation approach used to estimate the value of a property based on the cost to replace or reproduce the property, minus depreciation. The Depreciated replacement cost method works on the basis that property's value can be equated to its cost, Valuer assesses the cost of the building if it would have constructed in the current year, and deduct margin for usage of the property based on the respective year of construction. This method is particularly useful for valuing properties where there might not be a reliable market or income-based valuation, such as unique or specialised properties.

Investment Method (Income approach, Income capitalisation approach)

The Investment Method of Valuation, also known as the Income Approach or Income Capitalisation Approach, is a real estate valuation method that determines the value of a property based on its ability to generate income. This approach is commonly used for income-producing properties like rental buildings, office spaces, or commercial real estate.

14.5 The carrying amount of revalued assets that would have been included in the Financial Statements, had the assets been carried at cost less accumulated depreciation is as follows:

Year ended 31 March	2026			2025
	Cost	Accumulated depreciation	Carrying value	Carrying value
	Rs.	Rs.	Rs.	Rs.
Group				
Freehold land	1,956,262,500	-	1,956,262,500	1,956,262,500
Freehold buildings	1,301,050,095	438,545,898	862,504,197	874,826,114
Buildings on leasehold land	1,698,137,559	109,036,906	1,589,100,653	1,593,240,417
Total	4,955,450,154	547,582,804	4,407,867,350	4,424,329,031

Year ended 31 March	2026			2025
	Cost	Accumulated depreciation	Carrying value	Carrying value
	Rs.	Rs.	Rs.	Rs.
Company				
Freehold land	1,956,262,500	-	1,956,262,500	1,956,262,500
Buildings	1,301,050,095	438,545,898	862,504,197	874,826,114
Total	3,257,312,595	438,545,898	2,818,766,697	2,831,088,614

14.6 Value of Land and building ownership

Name of the Company	Location	Property	Ownership	Extent	Carrying value as at 31 March 2026
The Kandy Hotels (1938) PLC	Hotel Suisse - No.30, Sangaraja Mawatha, Kandy	Land	Freehold	429.85 Perches	3,439,000,000
		Building	Freehold	80.861.5 Sq.ft.	1,697,724,333
	Hotel Queen's - No.04, Dalada Vidiya, Kandy	Land	Freehold	215.07 Perches	3,548,655,000
		Building	Freehold	114,885.5 Sq.ft.	1,236,304,082
United Hotels Co. Ltd	EKHO Lake House Hotel, Parakrama Samudraya Pedesa, Polonnaruwa	Building	Leasehold	15,344 Sq.ft.	101,889,530
	EKHO Surf Hotel, Beach Road, Bentota	Building	Leasehold	89,487 Sq.ft.	1,232,491,296
	The Lake Hotel, Polonnaruwa	Building	Leasehold	31,533 Sq ft.	164,396,938
Tissa Resort (Pvt) Ltd	EKHO Safari at Kataragama Road, Tissamaharama	Building	Leasehold	48,497.5 sq.ft.	316,353,599

15 INTANGIBLE ASSETS

Year ended 31 March	Group 2026 Rs.	Group 2025 Rs.	Company 2026 Rs.	Company 2025 Rs.
Computer software (Note 15.1)	2,780,294	2,840,216	319,338	520,301
	2,780,294	2,840,216	319,338	520,301

15.1 Computer software

Balance at the beginning of the year	52,218,334	50,783,334	35,723,574	35,723,574
Acquired during the year	893,801	1,435,000	-	-
Balance at the end of the year	53,112,135	52,218,334	35,723,574	35,723,574
Accumulated amortisation				
Balance at the beginning of the year	(49,378,118)	(48,743,310)	(35,203,273)	(34,998,965)
Amortisation charge for the year	(953,723)	(634,808)	(200,963)	(204,308)
Balance at the end of the year	(50,331,841)	(49,378,118)	(35,404,236)	(35,203,273)
Net book value	2,780,294	2,840,216	319,338	520,301

16 LEASES

16.1 Right of use assets

As at 31 March	Group 2026 Rs.	Group 2025 Rs.
Cost		
Balance at the beginning of the year	130,182,946	130,182,946
Balance at the end of the year	130,182,946	130,182,946
Amortisation		
Balance at the beginning of the year	27,046,792	21,849,874
Amortisation charge for the year	5,196,917	5,196,918
Balance at the end of the year	32,243,709	27,046,792
Carrying amount		
As at 31 March	97,939,237	103,136,154

Right-of Use-Assets are in respect of following properties, which are currently on lease with Sri Lanka Tourism Development Authority.

Tissa Resort (Private) Limited

EKHO Safari (Tissa)

United Hotels Company Limited

EKHO Surf – Bentota

The Lake – Polonnaruwa

EKHO Lake House – Polonnaruwa

16.2 Lease liabilities

As at 31 March	Group 2026 Rs.	2025 Rs.
Balance at the beginning of the year	126,517,144	127,201,672
Interest expense	16,088,357	16,467,154
Less: Payments made during the year	(22,189,279)	(17,151,682)
Balance at the end of the year	120,416,222	126,517,144
Current	18,073,120	19,124,961
Non - current	102,343,102	107,392,183
	120,416,222	126,517,144

16.3 Amounts Recognised in Statement of Profit or Loss

Interest expense	16,088,357	16,467,154
	16,088,357	16,467,154

16.4 Amounts Recognised in Statement of Cash Flows

Total cash outflow for leases	(22,189,279)	(17,151,682)
	(22,189,279)	(17,151,682)

16.5 Maturity Analysis - Contractual Undiscounted Cash Flows

Less than one year	18,943,311	18,727,311
One to five years	84,500,166	87,841,476
More than five years	266,340,001	283,066,667
	369,783,478	389,635,454

17 INVESTMENT IN SUBSIDIARIES

As at 31 March	No. of shares		Effective Holding %		Company 2026 Rs.	2025 Rs.
Suisse Hotel (Private) Limited	41,975,587	41,975,587	100%	100%	352,843,177	352,843,177
United Hotels Company Limited	297,918,001	297,918,001	100%	100%	4,541,643,295	4,541,643,295
Provision for impairment (Note 17.1)					(176,422,000)	(176,422,000)
					4,718,064,472	4,718,064,472

17.1 Provision for impairment

As at 31 March	Company 2026 Rs.	2025 Rs.
At the beginning of the year (Note 17.3)	176,422,000	176,422,000
At the end of the year	176,422,000	176,422,000

17.2 Principal Subsidiaries

The following disclosure excerpt highlights the group composition and the proportion of ownership interests as at 31st March 2026.

			As at 31 March 2026		As at 31 March 2025	
Company and country of incorporation/ operation	Principal activities	Class of shares held	Proportion of interest held by the Company	Group interest (%)	Proportion of interest held by the Company	Group interest (%)
Suisse Hotel (Pvt) Ltd	Managers and providers of service of whatever nature to the hotel and tourism industry	Ordinary Shares	100%	100%	100%	100%
United Hotels Company Limited	Hotel Services	Ordinary Shares	100%	100%	100%	100%
Tissa Resort (Pvt) Ltd	Hotel Services	Ordinary Shares	-	100%	-	100%
Ceylon Hotels Maldives (Pvt) Ltd	Hotel Services	Ordinary Shares	-	100%	-	100%

17.3 Impairment of Investment in subsidiary - Suisse Hotel (Private) Limited in 2021/2022

The Company has carried out an impairment assessment of investment in subsidiary as at 31 March 2022. Impairment test was based on the value in use calculation (VIU) of Suisse Hotel (Pvt) Ltd using discounted cash flow model. For the impairment assessment, Suisse Hotel (Pvt) Ltd considered as a single cash generating unit (CGU).

The cash flows are derived from the most recent forecast and do not include the restructuring activities that the group is yet to commit or any significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is sensitive to the discount rate used for the discounted cash flow model, revenue growth rate and the growth rate used for extrapolation purposes.

The key assumptions used in the VIU computation

Gross Margins

The basis used to determine the value assigned to the forecasted gross margins is the gross margins achieved in the preceding year duly adjusted for projected market conditions.

Discount Rates

The discount rate used is the weighted average cost of capital of the CGU, and is at 14.4%.

Volume Growth

Volume growth has been budgeted on a reasonable and realistic basis by taking into account the growth rates of one to five years immediately subsequent to the budgeted year based on expected industry growth rates. Cash flows beyond the fifth year period are extrapolated using 3.5% growth rate.

Occupancy and Average room rates (ARR)

Occupancy and ARR has been projected based on the historical trends and considering the current market conditions.

Impairment of Investment in subsidiary - Suisse Hotel (Private) Limited in 2022/2023

The Company made an additional investment of Rs. 4,898,525 in 2022/2023, which was fully impaired within the same year.

18 INVESTMENT IN JOINT VENTURE

Group

The Group holds 50% interest in Suisse Hotel Kandy (Private) Limited, a joint venture owning the Radisson Hotel Kandy. The Group's interest in Suisse Hotel Kandy (Private) Limited is accounted for using the equity method in the consolidated financial statements. Summarised financial information of the joint venture and reconciliation with the carrying amount of the investment in consolidated financial statements are set out below:

Carrying value of the investment - Suisse Hotel Kandy (Pvt) Limited	2026 Rs.	2025 Rs.
Balance at the beginning of the year	582,519,723	145,383,158
Group's share of profit/ (loss) for the year (Note 18.3)	(44,062,336)	8,389,605
Group's share of other comprehensive income for the year	857,838,945	136,246,960
Investment made during the year	-	292,500,000
Group's carrying amount of the investment	1,396,296,332	582,519,723

Name of the Joint Venture	Principal activities	Country of incorporation and place of business	Class of shares held	Group Interest (%)
Suisse Hotel Kandy (Pvt) Limited	Hotel Services	Sri Lanka	Ordinary shares	50%

18.2 Investment in Joint Venture-Suisse Hotel Kandy (Pvt) Limited

As at 31 March	2026 Rs.	2025 Rs.
Number of shares	191,704,814	191,704,814
Holding %	50%	50%

18.3 Summarised Financial information of joint venture - Group

As at 31 March	2026 Rs.	2025 Rs.
Assets and liabilities		
Current assets, including cash and cash equivalents	180,854,201	168,887,004
Non current asset, including property, plant and equipment	4,334,236,127	1,738,387,656
Current liabilities, including trade and other payables	(351,977,606)	(253,495,840)
Non-current liabilities, including long-term borrowing	(3,052,536,868)	(2,205,640,722)
Share of adjustments for uniform accounting policy	1,682,016,809	1,716,901,346
Equity	2,792,592,663	1,165,039,444
Group's carrying amount of the investment	1,396,296,332	582,519,723

Summarised statement of profit or loss and other comprehensive income

For the year ended 31 March	2026 Rs.	2025 Rs.
Revenue	788,253,711	718,172,940
Cost of sales	(125,071,165)	(136,372,526)
Administrative expenses, including depreciation	(482,563,089)	(460,891,315)
Marketing and promotional expenses	30,937,669	-
Other Income	(52,180,762)	(39,703,756)
Net finance costs	(113,069,710)	(112,426,989)
Foreign exchange loss	(144,885,424)	48,052,527
Loss before income tax	(98,578,770)	16,830,881
Income tax	10,454,099	(51,671)
Profit/ (loss) for the year	(88,124,671)	16,779,210
Group's share of profit/ (loss) for the year*	(44,062,336)	8,389,605

Group

For the year ended 31 March	2026 Rs.	2025 Rs.
Other comprehensive income		
Actuarial gains and losses on defined benefit plans	823,452	1,172,618
Revaluation surplus of freehold land and building	2,550,219,867	387,601,861
Deferred tax Charge on revaluation gain	(835,365,429)	(116,280,558)
Other comprehensive income for the year	1,715,677,890	272,493,921
Group's share of other comprehensive income for the year	857,838,945	136,246,960
Summarised cash flow information		
Cash flows from/ (used in) operating activities	10,188,674	(195,066,978)
Cash flows from/ (used in) investing activities	(84,893,412)	557,198,449
Cash flows from/ (used in) finance activities	103,887,888	(322,564,301)
Net increase/ (decrease) in cash and cash equivalents	29,183,150	39,567,170

18.4 The joint venture had no other contingent liabilities or capital commitments as at 31 March 2026 and 2025.

18.5 Assets pledged

Company Nature of Assets	Nature of Liability	Carrying Amount Pledged 2026 Rs.	2025 Rs.
Assets of Suisse Hotel Kandy (Pvt) Ltd. (Radisson Hotel Kandy) situated at No. 31, Saranankara Mawatha, Kandy.	Restructured Term loan of USD 0.1 Mn Repayable in 45 monthly instalments & interest 8.5% pa payable monthly Restructured Term loan of USD 3.6 Mn Repayable in 120 monthly instalments & interest 06 months SOFR + 1.0% p.a payable monthly. (Floor rate 4.5% p.a.) Restructured Term loan of USD 3.6 Mn repayable in 120 monthly instalments & interest first 3 years - 6 months SOFR + 1.0% pa & remaining 7 years - 6 months SOFR + 1.5% pa payable monthly Restructured Term loan of USD 2.5 Mn repayable in 96 monthly instalments & interest first 3 years - 6 months SOFR + 0.5% pa & remaining 5 years - 6 months SOFR+ 1.0% pa payable monthly Restructured Term loan of USD 1.19 Mn Repayable in 60 monthly instalments & interest 4.0% pa payable monthly	4,320,914,082	1,736,959,023
		4,320,914,082	1,736,959,023

19 ADVANCES FOR FUTURE SHARE ISSUE

As at 31 March	Company	
	2026	2025
	Rs.	Rs.
Advances for future share issue	323,000,000	323,000,000
	323,000,000	323,000,000

The company provided an advance to Suisse Hotel (Pvt) Ltd in December 2024, with the intention of capitalising this advance at a future date.

20 INVESTMENTS IN FIXED DEPOSITS

As at 31 March	Group		Company	
	2026	2025	2026	2025
	Rs.	Rs.	Rs.	Rs.
Investment in fixed deposits	955,351,848	894,930,148	-	-
	955,351,848	894,930,148	-	-

Investment in fixed deposits balance in Ceylon Hotel Maldives (Pvt) Ltd has been reclassified from Cash and Cash Equivalents to Investment in Fixed Deposits in 2025/2026. The comparative balance for the previous year has also been reclassified accordingly.

21 INVENTORIES

As at 31 March	Group		Company	
	2026	2025	2026	2025
	Rs.	Rs.	Rs.	Rs.
Food and beverage	33,829,236	28,285,304	16,209,628	12,694,031
Linen	74,531,599	69,044,628	35,139,463	38,621,881
Housekeeping and maintenance	43,201,932	41,215,853	30,637,630	29,791,231
	151,562,767	138,545,785	81,986,721	81,107,143
Less: Provision for obsolete and slow moving items (Note 21.1)	(4,440,352)	(6,504,625)	-	-
	147,122,415	132,041,160	81,986,721	81,107,143

21.1 Provision for obsolete and slow moving items

As at 31 March	Group		Company	
	2026	2025	2026	2025
	Rs.	Rs.	Rs.	Rs.
Balance at the beginning of year	6,504,625	4,473,489	-	-
Write-off during the year	(196,047)	-	-	-
Provision/ (reversal) during the year	(1,868,226)	2,031,136	-	-
Balance at the end of the year	4,440,352	6,504,625	-	-

22 TRADE AND OTHER RECEIVABLES

As at 31 March	Group		Company	
	2026	2025	2026	2025
	Rs.	Rs.	Rs.	Rs.
Trade receivables (Note 22.1)	209,583,663	176,479,685	71,254,170	45,546,428
Other receivables (Note 22.2)	53,511,884	76,802,773	25,724,280	57,419,057
	263,095,547	253,282,458	96,978,450	102,965,485

a) Due to the short-term nature of the current receivables, their carrying amount is assumed to be the same as their fair value.

22.1 Trade receivables

As at 31 March	Group		Company	
	2026	2025	2026	2025
	Rs.	Rs.	Rs.	Rs.
Trade receivables	223,692,123	183,244,385	75,431,313	49,923,571
Less: ECL provision for bad & doubtful debts (Note 22.3)	(14,108,460)	(6,764,700)	(4,177,143)	(4,377,143)
	209,583,663	176,479,685	71,254,170	45,546,428

22.2 Other receivables

As at 31 March	Group		Company	
	2026	2025	2026	2025
	Rs.	Rs.	Rs.	Rs.
Other receivables	57,233,311	80,828,390	29,445,707	61,140,484
Less: ECL provision for bad & doubtful debts (Note 22.3)	(3,721,427)	(4,025,617)	(3,721,427)	(3,721,427)
	53,511,884	76,802,773	25,724,280	57,419,057

22.3 The movement of the provision for impairment of trade receivables and other receivables are as follows.

As at 31 March	Group		Company	
	2026	2025	2026	2025
	Rs.	Rs.	Rs.	Rs.
ECL provision for bad & doubtful debts				
Balance at the beginning of year	10,790,318	11,009,216	8,098,570	8,098,570
Write-off during the year	-	(218,898)		-
Provision/ (reversal) during the year	7,039,569	-	(200,000)	-
Balance at the end of the year	17,829,887	10,790,318	7,898,570	8,098,570

22.4 Impairment of debtors

The Management has carried out an impairment provision based on the simplified approach of ECL method and impairment provision of Rs. 17,829,887/- has been accounted for trade and other receivables as the ECL. (2024/2025 - Rs.10,790,318/-).

Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The Management considered 100% ECL for debtors aged more than 180 days in determining the provision matrix for ECL.

Trade and other receivables are non-interest bearing and generally on terms of 30 to 60 days.

22.5 Trade receivables by credit quality are as follows.

	Group		Company	
As at 31 March	2026 Rs.	2025 Rs.	2026 Rs.	2025 Rs.
Neither past due nor impaired	126,727,913	116,349,310	54,462,727	31,523,855
Past due but not impaired				
31-60 days	56,547,159	30,805,974	11,872,671	6,886,837
61-90 days	16,268,913	13,142,309	2,649,634	2,325,197
91-120 days	6,604,809	2,900,961	1,278,346	192,548
> 121 days	17,543,329	20,045,831	5,167,935	8,995,134
Impaired	(14,108,460)	(6,764,700)	(4,177,143)	(4,377,143)
Total	209,583,664	176,479,685	71,254,170	45,546,428

22.6 Trade receivables by credit quality are as follows.

Past due-not impaired trade receivable balances of the Group and the Company have not been impaired as there has not been a significant change in credit quality and believe that overdue amounts are fully recoverable.

Trade and other receivables are not pledged as securities for any financing arrangements.

23 ADVANCES AND PREPAYMENTS

	Group		Company	
As at 31 March	2026 Rs.	2025 Rs.	2026 Rs.	2025 Rs.
Advances and deposits	10,410,953	31,604,432	4,247,547	4,357,074
Prepayments	66,828,649	82,560,705	40,227,058	82,560,705
Less: Provision for advances & prepayments	(1,220,000)	(1,220,000)	-	-
	76,019,602	112,945,137	44,474,605	86,917,779

24 CASH AND BANK BALANCES

As at 31 March	Group 2026 Rs.	Group 2025 Rs.	Company 2026 Rs.	Company 2025 Rs.
Favourable cash and bank balances				
Cash in hand	4,682,982	5,676,574	2,299,999	2,299,999
Cash at bank	397,988,301	308,905,275	67,584,661	9,756,796
Total cash and bank balances	402,671,283	314,581,849	69,884,660	12,056,795
Unfavourable cash and bank balances				
Bank overdrafts	(239,329,758)	(333,903,751)	(153,880,580)	(206,142,156)
	(239,329,758)	(333,903,751)	(153,880,580)	(206,142,156)
Total cash and cash equivalents for the purpose of statement of cash flows	163,341,525	(19,321,902)	(83,995,920)	(194,085,361)

25 STATED CAPITAL

As at 31 March	Group Value of shares 2026 Rs.	Group Value of shares 2025 Rs.	Company Value of shares 2026 Rs.	Company Value of shares 2025 Rs.
Fully paid ordinary shares (Note 25.3)	2,661,566,425	2,661,566,425	2,661,566,425	2,661,566,425
Fully paid preference shares - 15% cumulative	250,000	250,000	250,000	250,000
	2,661,816,425	2,661,816,425	2,661,816,425	2,661,816,425

As at 31 March	Group shares issued and fully paid 2026 Rs.	Group shares issued and fully paid 2025 Rs.	Company Dividend shares issued and fully paid 2026 Rs.	Company Dividend shares issued and fully paid 2025 Rs.
Fully paid ordinary shares (Note 25.3)	754,309,253	754,309,253	754,309,253	754,309,253
Fully paid preference shares - 15% cumulative (Note 25.1)	50,000	50,000	50,000	50,000
	754,359,253	754,359,253	754,359,253	754,359,253

25.1 Cumulative participating preference shares

The cumulative participating preference shares are entitled to a cumulative dividend of 15% per annum on the amount of each such preference share prior to the payment of any dividend to ordinary share holders.

25.2 The holders of ordinary shares are entitled to receive dividends as described from time to time.

25.3 Movement in Ordinary Shares

	Group/Company		Group/Company	
	Number of shares 2026	Number of shares 2025	Value of Shares (Rs.) 2026	Value of Shares (Rs.) 2025
At the beginning of the year	754,309,253	754,309,253	2,661,566,425	2,661,566,425
At the end of the year	754,309,253	754,309,253	2,661,566,425	2,661,566,425

26 REVALUATION RESERVE

Revaluation reserve

Nature and purpose of the reserve

The revaluation reserve is used to record increments and decrements in the revaluation of the lands and buildings of the Group. In the event of a sale or disposal of an asset, any balance in the reserve in relation to the asset is transferred to retained earnings.

	Group		Company	
As at 31 March	2026 Rs.	2025 Rs.	2026 Rs.	2025 Rs.
Balance at the beginning of the year	7,370,760,904	6,589,826,030	7,137,763,086	6,477,982,237
Transfer of excess depreciation on revaluation	(154,527,751)	(88,800,132)	(142,755,262)	(73,707,197)
Surplus on revaluation	-	1,047,840,066	-	1,047,840,066
Deferred tax on revaluation	-	(314,352,020)	-	(314,352,020)
Share of other comprehensive income attributable to joint venture (Note 18)	857,838,945	136,246,960	-	-
Balance at the end of the year	8,074,072,098	7,370,760,904	6,995,007,824	7,137,763,086

27 MERGER RESERVE

Nature and purpose of the reserve

The Company acquired net equity of United Hotel Company Limited and its subsidiaries through an acquisition under common control at a purchase consideration at total consideration of Rs. 4,541,643,295/-. The residual value of the transaction was recognised as merger reserve.

As at 31 March	Group 2026 Rs.	Group 2025 Rs.
Balance at the beginning of the year	(1,116,643,528)	(1,116,643,528)
Balance at the end of the year	(1,116,643,528)	(1,116,643,528)

28 INTEREST BEARING LOANS AND BORROWINGS

As at 31 March	Group 2026 Rs.	Group 2025 Rs.	Company 2026 Rs.	Company 2025 Rs.
Balance at the beginning of the year	1,078,498,134	1,364,944,745	464,507,499	648,894,140
Obtained during the year	200,000,000	-	200,000,000	-
Interest paid during the year	(109,437,984)	(142,868,280)	(55,787,161)	(81,860,268)
Capital paid during the year	(268,029,560)	(253,926,769)	(126,325,958)	(159,130,311)
Interest expense for the year	98,981,627	119,472,123	44,795,444	56,603,937
Exchange (gain)/loss	28,704,150	(9,123,684)	-	-
Balance at the end of the year	1,028,716,367	1,078,498,135	527,189,824	464,507,499
Current	220,406,921	357,983,561	47,874,824	176,080,959
Non-Current	808,309,447	720,514,574	479,315,000	288,426,540
	1,028,716,368	1,078,498,135	527,189,824	464,507,499
Capital Outstanding	1,027,618,359	1,059,166,369	527,189,824	453,515,788
Accrued Interest	1,098,009	19,331,766	-	10,991,711
	1,028,716,368	1,078,498,135	527,189,824	464,507,499

28.1 Interest bearing loans and borrowings- The Kandy Hotels Company (1938) PLC

Lending institution	Nature of facility	Interest rate	Collateral	Repayment terms	Carrying amount 2026 Rs.	Carrying amount 2025 Rs.
Sampath Bank PLC	Long Term Loan for Investments Loan value : Rs. 517,000,000/- (Investment loan)	Fixed 12% p.a. for a period of 12 months commencing from 26-06-2022 and thereafter AWPLR +1% p.a.	Corporate Guarantee of Ceylon Hotels Corporation PLC for Rs. 444,500,000/-, a mortgage over shares of United Hotels Company Limited (UHCL) for Rs. 444,500,000/- owned by The Kandy Hotels Company (1938) PLC, together with a charge on securities, a negative pledge over the immovable properties of the Company, and a mortgage for Rs. 444,500,000/- over 65% of the receivables of Hotel Suisse and Queen's Hotel, including Credit/Debit Card Receivables (excluding Amex Card collections), Cash Collections, Travel Agent Collections and other receivables, together with a Power of Attorney in favour of the Bank. In addition, a monthly cash build-up of Rs. 150,000/- is required to be maintained as a Debt Service Reserve Fund in a separate build-up account in the name of The Kandy Hotels Company (1938) PLC.	The term loan was restructured in November 2025 for the outstanding balance of Rs. 309,500,000/-. The restructured facility is repayable in 59 monthly instalments, with interest serviced monthly throughout the loan tenor. Rs. 1,589,000 x 6 months Rs. 1,060,000 x 6 months Rs. 1,589,000 x 6 months Rs. 1,060,000 x 6 months Rs. 7,945,000 x 6 months Rs. 5,296,000 x 6 months Rs. 9,534,000 x 6 months Rs. 6,356,000 x 6 months Rs. 11,123,000 x 6 months Rs. 7,237,600 x 5 months	301,555,000	367,600,000
Sampath Bank PLC	Debt moratorium facility on above investment loan - Loan value Rs. 65,130,959/-.	10% p.a (fixed)		Capital and interest grace period received from April 2020 to March 2021 under Covid-19 Relief Package offered by Central Bank of Sri Lanka. Capital to be repaid in 37 monthly instalments of Rs 1.7 Mn and a final instalment of Rs 2.23 Mn together with interest.	-	14,130,959

Lending institution	Nature of facility	Interest rate	Collateral	Repayment terms	Carrying amount 2026 Rs.	2025 Rs.
Sampath Bank PLC	Term Loan facility to part reimburse the renovation cost of Hotel Suisse - Loan Value - Rs. 125,000,000/-	AWPLR +1 % p.a.	Corporate Guarantee of Ceylon Hotels Corporation PLC for Rs. 444,500,000/-, a mortgage over shares of United Hotels Company Limited (UHCL) for Rs. 444,500,000/- owned by The Kandy Hotels Company (1938) PLC, together with a charge on securities, a negative pledge over the immovable properties of the Company, and a mortgage for Rs. 444,500,000/- over 65% of the receivables of Hotel Suisse and Queen's Hotel, including Credit/Debit Card Receivables (excluding Amex Card collections), Cash Collections, Travel Agent Collections and other receivables, together with a Power of Attorney in favour of the Bank. In addition, a monthly cash build-up of Rs. 150,000/- is required to be maintained as a Debt Service Reserve Fund in a separate build-up account in the name of The Kandy Hotels Company (1938) PLC.	Repayable in 60 monthly instalments, with interest serviced monthly throughout the loan tenor. Rs. 625,000 x 6 months Rs. 416,000 x 6 months Rs. 625,000 x 6 months Rs. 416,000 x 6 months Rs. 3,125,000 x 6 months Rs. 2,085,000 x 6 months Rs. 3,750,000 x 6 months Rs. 2,500,000 x 6 months Rs. 4,375,000 x 6 months Rs. 3,146,400 x 5 months and Rs. 416,000	121,875,000	-
Commercial bank of Ceylon PLC	Long Term Loan for settlement of existing loans & accrued interest -Loan Value Rs.67,000,000/-	10% p.a (fixed)	Corporate Guarantee of Rs.100,000,000/- dated 06/09/2017 signed by Ceylon Hotel Corporation PLC. , Corporate Guarantee of Rs.14,000,000/- dated 09/08/2019 signed by Ceylon Hotel Corporation PLC., Corporate Guarantee of Rs.50,000,000/- dated 23/12/2019 signed by Ceylon Hotel Corporation PLC. ,Primary floating mortgage bond No.4110 for Rs.50,000,000/- dated 10/02/2020 executed over debit & credit card sales of the total operations at Queen's Hotel, Suisse Hotel and any other future locations routed through Commercial Bank's card center.	In 35 months instalments of Rs.1,860,000.00 & final instalment of Rs.1,900,000.	3,734,824	29,984,824
Commercial Bank of Ceylon PLC	Facility Under "Enterprise Sri Lanka" Loan value : Rs. 49,000,000/-.	AWPLR +1.75% p.a.		Capital Repayments to be made from May 2023 for a period of 60 months as follows. First 12 months = Rs. 200,000/- X 12 = Rs. 2.400,000/-Next 12 months = Rs. 600,000/- X 12 = Rs. 7,200,000/-Next 12 months = Rs.1,000,000/-X 12= Rs.12,000,000/-Next 12 months = Rs.1,000,000/-X 12= Rs.12,000,000/-Next 11 months = Rs.1,280,000/-X 11= Rs.14,080,000/-Final Instalment = Rs.1,320,000/- = Rs. 1,320,000/-	29,400,000	41,800,000

Lending institution	Nature of facility	Interest rate	Collateral	Repayment terms	Carrying amount 2026 Rs.	2025 Rs.
Nations Trust Bank PLC	Term Loan obtained for renovation and refurbishment of hotel premises	Monthly AWPLR + 1% p.a. (reviewable every three months)	Assignment over AMEX receivables of The Kandy Hotels Company (1938) PLC together with undertakings and assignment of AMEX receivables from group companies; Debt Service Reserve Account maintained with NTB.	60-month term loan. Repayable in increasing monthly instalments ranging from Rs. 625,000 during the first year to Rs. 1,875,000 during the final year, with interest serviced separately on a monthly basis.	70,625,000	-
Accrued Interest					-	10,991,716
					527,189,824	464,507,499

*AWPLR refers to Average Weighted Prime Lending Rate.

Interest bearing loans and borrowings- United Hotels Company Limited

Lending institution	Nature of facility	Interest rate	Repayment terms	Collateral	2026 Rs.	2025 Rs.
Commercial Bank PLC	Term Loan- Rs.75,000,000/-	Fixed 15%	Rs. 240,000 x 12 months Rs. 730,000 x 12 months Rs.1,220,000 x 24 months Rs.1,480,000 x 11 months Rs.1,550,000 x 1 month	Primary mortgage bond No. 962 for Rs. 75Mn dated 05/05/2017 executed over leasehold rights of "The Lake House" Polonnaruwa property owned by the Sri Lanka Tourism Development Authority for Rs. 75 Mn and Corporate guarantee of Rs. 3.75 Mn from Ceylon Hotels Corporation PLC	37,350,000	50,030,000
Commercial Bank PLC	Term Loan- Rs.20,000,000/-	Fixed 15%	Rs. 60,000 x 12 months Rs. 270,000 x 12 months Rs. 380,000 x 24 months Rs. 490,000 x 11 months Rs. 553,000 x 1 month		12,000,000	16,120,000
Commercial Bank PLC	Term Loan- Rs.40,312,585/-	Fixed 10%	35 Equal Instalments of Rs. 1,189,000 and Balance by final instalment of Rs.1,215,879.22		4,782,878	19,050,878

Lending institution	Nature of facility	Interest rate	Repayment terms	Collateral	2026 Rs.	2025 Rs.
Cargills Bank PLC	Term Loan- US$.1,994,006	Fixed 8%	"(Capital USD 6,081.72 + Interest) x 12 months, (Capital USD 16,617 + Interest)x 12 months, (Capital USD 24,926 + Interset) x 12 months, (Capital USD 26,587 + Interest)x 12 months, (Capital USD 28,249 + Interest)x 12 months, (Capital USD 29,911 + Interest)x 12 Months, (Capital USD 33,799 + Interest)x 12 Months "	Primary Floating Mortgage Bond – USD 1.5M over leasehold property at Bentota (Tourist Resort "Surf" + fixed assets). Secondary Mortgage Bond – Rs. 50M over the same leasehold property at Bentota. Corporate Guarantees from Ceylon Hotel Corporation PLC: - USD 120,000 - Rs. 52,000,000 - Rs. 30,000,000 - USD 60,000 Letter of Comfort / Awareness – from Galle Face Hotel Ltd.	434,930,054	502,814,105
Cargills Bank Limited - USD Interest Moratorium (Accrued Interest)					968,222	8,167,349
					490,031,154	596,182,332

Interest bearing loans and borrowings- Tissa Resort (Pvt) Ltd

Lending institution	Nature of facility	Interest rate	Repayment terms	Collateral	2026 Rs.	2025 Rs.
Commercial Bank PLC	Term Loan -Rs.5,700,000/-	10% fixed	In 35 Monthly equal instalments of Rs. 160,000/- each and final instalment of Rs. 105,603/-together with the interest	Corporate guarantee for Rs.216,500,000/-dated 25/11/2011 signed by Ceylon Hotel Corporation PLC , Primary mortgage bond No-1831 for Rs.216,500,000/-date 22/03/2012 executed over leasehold rights of katharagama road , Tissamahara Property owned by The Sri Lanka Tourism Development Authority.	425,603	2,345,603
Commercial Bank PLC	Term Loan -Rs.18,500,000/-	AWPLR + 1.75%	First 12 months Rs.80,000*12, Next 12 Months 250,000*12, Next 24 Months 400,000*24, Next 11 Months Rs.410,000*11 and Final instalment of Rs.430,000/-		10,940,000	15,290,000
Commercial Bank PLC - Interest Moratorium (Accrued Interest)					129,787	172,702
					11,495,390	17,808,305
The Group					1,028,716,368	1,078,498,136

*AWPLR refers to Average Weighted Prime Lending Rate.

28.2 The exposure of the carrying value of borrowings to interest rate changes and the contractual re-pricing dates at the end of the reporting period is as follows:

As at 31 March	Group 2026 Rs.	Group 2025 Rs.	Company 2026 Rs.	Company 2025 Rs.
Within 1 year	268,463,254	284,532,201	98,593,134	147,430,776
Between 1-5 year	1,048,625,749	774,903,985	640,926,123	306,084,824
	1,317,089,003	1,059,436,186	739,519,257	453,515,600

The carrying amounts of the Company's and the Group's borrowings are denominated in following currencies:

As at 31 March	Group 2026 Rs.	Group 2025 Rs.	Company 2026 Rs.	Company 2025 Rs.
Sri Lankan rupees	593,202,692	490,213,151	527,189,824	464,507,499
United Stated dollars	435,513,676	588,284,983	-	-
	1,028,716,368	1,078,498,134	527,189,824	464,507,499

28.3 Group and the Company have complied with the financial covenants of its borrowing facilities during the years ended March 31, 2026 and 2025.

28.4 The fair values are not materially different from the carrying amounts for the majority of borrowings.

29 DEFERRED TAX LIABILITY

As at 31 March	Group 2026 Rs.	Group 2025 Rs.	Company 2026 Rs.	Company 2025 Rs.
Balance at the beginning of the year	2,343,827,765	2,083,802,544	2,123,877,048	1,847,510,373
Charge/(reversal) through statement of profit or loss	6,351,045	(53,622,771)	(31,282,258)	(37,840,419)
Charge / (reversal) on actuarial gain/(loss)	281,063	(704,028)	(191,588)	(144,926)
Deferred tax on revaluation	-	314,352,020	-	314,352,020
Balance at the end of the year	2,350,459,873	2,343,827,765	2,092,403,202	2,123,877,048

Deferred income taxes are calculated on all temporary differences under the liability method using the applicable tax rates at the end of the financial reporting period.

29.1 The deferred tax asset/liability on each temporary difference which were recognised in the financial statements are disclosed below.

As at 31 March	Group		Company	
	2026 Rs.	2025 Rs.	2026 Rs.	2025 Rs.
Temporary Differences				
On property, plant and equipment	9,176,738,911	9,179,782,668	7,450,922,487	7,498,372,644
On Right of use assets	97,939,237	103,136,154	-	-
On inventories	(4,440,351)	(6,504,624)	-	-
On trade & other receivables	20,233,334	(12,010,317)	31,384,650	(8,098,570)
On amounts due from related companies	(13,713,645)	(14,550,760)	-	-
On retirement benefit obligation	(20,747,872)	(23,730,666)	(7,175,438)	(5,944,730)
On leases	(120,416,222)	(126,517,145)	-	-
On carried forward tax losses	(1,300,727,144)	(1,286,846,095)	(500,454,352)	(404,739,186)
	7,834,866,248	7,812,759,216	6,974,677,347	7,079,590,159
Net deferred tax liability/(assets)	2,350,459,873	2,343,827,765	2,092,403,202	2,123,877,048

30 RETIREMENT BENEFIT OBLIGATIONS

As at 31 March	Group 2026 Rs.	Group 2025 Rs.	Company 2026 Rs.	Company 2025 Rs.
Balance at the beginning of the year	23,730,667	15,738,569	5,944,730	4,687,336
Gratuity transferred from other entities	(3,575,327)	5,405,839	-	-
Interest cost (Note 30.1)	2,064,856	2,325,885	594,473	515,607
Current service cost (Note 30.1)	3,438,065	2,512,455	1,622,718	737,987
Total amount recognised in profit and loss	5,502,921	4,838,340	2,217,191	1,253,594
Remeasurement loss /(gain) (Note 30.1)	(936,876)	2,346,761	638,628	483,086
Total amount recognised in other comprehensive income	(936,876)	2,346,761	638,628	483,086
Employee benefit obligations paid	(3,973,514)	(4,598,844)	(1,625,112)	(479,287)
Balance at the end of the year	20,747,871	23,730,665	7,175,437	5,944,730

30.1 The following amounts are recognised in the statement of profit or loss and other comprehensive income during the year in respect of the retirement benefit obligation.

As at 31 March	Group 2026 Rs.	Group 2025 Rs.	Company 2026 Rs.	Company 2025 Rs.
Amount recognised in profit or loss				
Interest cost	2,064,856	2,325,885	594,473	515,607
Current service cost	3,438,065	2,512,455	1,622,718	737,987
	5,502,921	4,838,340	2,217,191	1,253,594
Amount recognised in other comprehensive income				
Actuarial loss / (gain) on obligations for the year	(936,876)	2,346,761	(638,628)	483,086
	(936,876)	2,346,761	(638,628)	483,086

This obligation is not externally funded.

The retirement benefit obligation of the Group is based on the actuarial valuation carried out by Messrs. Actuarial and Management Consultants (Private) Limited; a professional actuarial valuer. The key assumption used in determining above were as follows;

	Group		Company	
	2026	2025	2026	2025
Financial assumptions				
Discount rate	9%	10% -11%	9%	10%
Future salary growth rate	10%	15%	11%	15%
Demographic assumptions				
Mortality table	A 1967/70 Mortality Table	A 1967/70 Mortality Table	A 1967/70 Mortality Table	A 1967/70 Mortality Table
Retirement age	60 Years	60 Years	60 Years	60 Years

As per the guidelines issued by the Institute of Chartered Accountants of Sri Lanka, the discount rates has been adjusted to remove the risk from the market interest rate in arriving at the discount rate for the purpose of valuing employee benefit obligations as per LKAS 19.

Demographic assumptions such as mortality, withdrawal and disability and retirement age are considered for the actuarial valuation. The 2007 mortality table issued by the London Institute of Actuaries (A 1967/70 mortality table) has also been used in the valuation.

As per the Minimum Retirement Age of Workers Act No.28 of 2021, the minimum retirement age of private sector employees was extended to 60 years.

30.2 The defined benefit obligations' sensitivity to changes in key assumptions as at 31 March 2026 and 2025 are shown below:

	Salary increment rate		Discount rate	
Group	1% increase	1% decrease	1% increase	1% decrease
2026				
Change in present value of defined benefit obligation	695,947	(665,750)	(573,160)	609,871
2025				
Change in present value of defined benefit obligation	847,143	(805,785)	(752,321)	805,813

	Salary increment rate		Discount rate	
Company	1% increase	1% decrease	1% increase	1% decrease
2026				
Change in present value of defined benefit obligation	233,258	(223,646)	(191,391)	203,241
2025				
Change in present value of defined benefit obligation	178,109	(170,888)	(160,310)	170,211

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the prior period.

30.3 Maturity Analysis of Employee benefit

The weighted average duration of the defined benefit obligation is 3 Years (2024/2025 - 3 years) for the Company. The distribution of the timing of undiscounted benefit payments is as follows.

As at 31 March	Group 2026 Rs.	Group 2025 Rs.	Company 2026 Rs.	Company 2025 Rs.
Less than or equal to 1 year	5,122,574	5,222,280	2,017,834	1,597,630
Over 1 year and less than or equal to 2 years	4,067,064	3,812,777	1,355,593	1,090,613
Over 2 years and less than or equal to 5 years	7,865,895	9,686,025	2,424,056	2,259,048
Over 5 years and less than or equal to 10 years	2,890,662	3,823,429	1,178,140	849,993
Over 10 years	801,676	1,186,155	199,814	147,446
Total expected payments	20,747,871	23,730,665	7,175,437	5,944,730

31 TRADE AND OTHER PAYABLES

As at 31 March	Group 2026 Rs.	Group 2025 Rs.	Company 2026 Rs.	Company 2025 Rs.
Trade payables	202,659,214	200,944,547	127,255,866	129,542,133
Advances and deposits	10,308,569	7,222,868	5,580,030	4,741,510
Accrued expenses	35,566,219	237,176,560	14,939,445	214,883,388
Other payables	251,745,562	188,966,926	79,744,285	41,279,625
	500,279,564	634,310,901	227,519,626	390,446,657

Terms and conditions of the above financial liabilities:

• Trade payables and accrued expenses are non-interest bearing and are normally settled on 30-60 days terms.

For explanations on the Group's liquidity risk management processes, refer to Note 36.2.

The carrying amounts of trade and other payables are considered to be the same as their fair value, due to their short-term nature.

32 CONTRACT LIABILITIES

a) The Company recognises advances received for future reservations as contract liabilities.

b) The following table shows unsatisfied performance obligations resulting from customer contracts.

As at 31 March	Group/Company 2026 Rs.	Group/Company 2025 Rs.
Opening balance	12,788,415	7,248,877
Advance received during the year	181,947,961	64,563,348
Refunds due to cancellation of bookings	(605,017)	(781,671)
Realisations during the year	(183,495,499)	(58,242,139)
Closing balance	10,635,860	12,788,415

According to SLFRS 15, advances received from customers on future bookings have been reclassified from trade payables and presented separately as 'Contract Liabilities' in the statement of financial position. Accordingly, advances amounting to Rs. 10,635,860/- (2024/2025 - Rs. 12,788,415/-) have been separately presented in the statement of financial position.

33 RELATED PARTY TRANSACTIONS

The Company carries out transactions with parties who are defined as related parties in Sri Lanka Accounting Standard 24 'Related Part Disclosures', the details of which are reported below. The Company carried out transactions in the ordinary course of business with the following related entities at an arms length basis.

33.1 Amounts due from related companies

		Group		Company	
As at 31 March		2026	2025	2026	2025
Name of the Company	Relationship	Rs.	Rs.	Rs.	Rs.
Ceylon Hotels Corporation PLC	Parent company	-	3,798,455	-	-
Galle Face Hotel 1994 (Pvt) Ltd	Affiliate	284,016	4,653,237	-	-
CHC Foods (Pvt) Ltd	Affiliate	296,782	3,584,246	-	-
CHC Rest House (Pvt) Ltd	Other related company	274,701	643,983	274,701	-
Suisse Hotel (Pvt) Ltd	Subsidiary	-	-	15,532,311	9,534,816
GFH Management Company (Pvt) Ltd	Affiliate	4,466,249	15,015,420	-	-
Suisse Hotel Kandy (Pvt) Ltd	Joint venture	39,981,507	26,581,726	-	-
		45,303,255	54,277,067	15,807,012	9,534,816
Less: Provision for expected credit losses		(2,552,381)	(3,263,133)	-	-
		42,750,874	51,013,934	15,807,012	9,534,816

33.1.1 Provision for expected credit losses

	Group 2026	Group 2025	Company 2026	Company 2025
Balance at the beginning of the year	3,263,133	3,141,642	-	-
Adjustment to opening balance	221,680	-	-	-
Provision/ (reversal) during the year	(932,432)	668,004	-	-
Write-off during the year	-	(546,512)	-	-
Balance at the end of the year	2,552,381	3,263,133	-	-

33.2 Amounts due to related companies

		Group		Company	
As at 31 March		2026	2025	2026	2025
Name of the Company	Relationship	Rs.	Rs.	Rs.	Rs.
United Hotels Company Ltd	Subsidiary	-	-	1,319,417,573	1,125,523,963
Ceylon Hotels Corporation PLC	Parent company	49,482,264	19,120,655	49,362,492	19,120,655
Galle Face Group (Pvt) Ltd	Affiliate	16,754,910	15,324,269	8,812,096	1,533,586
GFH Management Company (Pvt) Ltd	Affiliate	17,864,842	20,424,788	17,483,591	20,424,788
Galle Face Hotel 1994 (Pvt) Ltd	Affiliate	1,115,560	1,115,560	1,115,560	1,115,560
The Galle Face Hotel Company Ltd	Affiliate	23,465,960	28,435,800	500,000	500,000
Ceylon Hotel Holdings (Pvt) Ltd	Other related company	-	163,620	-	-
Tissa Resort (Pvt) Ltd	Sub-Subsidiary	-	-	34,993,006	23,076,813
		108,683,536	84,584,692	1,431,684,318	1,191,295,365

33.3 Transactions with related parties

Name of the related party	Relationship	Name of the director	Nature of transactions	Terms of transactions	Aggregate value of related party transactions entered into during the period 2026 Rs.	2025 Rs.	Balance as at 31 March 2026 Rs.	2025 Rs.	Aggregate value of related party transactions as a % of Revenue	Total Asset	Equity
a. Transactions with the parent - Recurring transactions											
Ceylon Hotels Corporation PLC (CHC)	Parent	Mr. Sanjeev Gardiner (Chairman)	Expenses paid by CHC on behalf of the Company	Note A	(3,450,510)	(3,352,772)	(49,362,492)	(19,120,655)	0%	0%	0%
		Mr. Priyantha Maddumage	Reimbursement of expenses paid by CHC	Note A	3,361,739	-			0%	0%	0%
		Mr. Shalike Karunasena	Net Temporary advances given by CHC	Note B	(29,974,293)	(15,693,040)			-1%	0%	0%
		Mr.Nirmal De Soysa Cooke	*Net trade nature movement	Note A	(178,773)	(74,842)			0%	0%	0%
		Mr. Mangala Boyagoda									
		Mr. Ajith Devasurendra									
		Mr. Ranil Pathirana									
		Mr. Dinesh Weerakkody									
		Mr. Sutheash Balasubramanium									
b. Transactions with Subsidiaries - Recurring transactions											
Suisse Hotel (Pvt) Ltd (SUH)	Subsidiary	Mr. Sanjeev Gardiner	Shareholder advance (pending capitalisation)	Note C	5,000,000	292,500,000	15,532,311	9,534,816	0%	0%	3%
		Mr. Priyantha Maddumage	Expenses paid by the Company on behalf of SUH	Note A	166,755	142,325	-	-	0%	0%	0%
		Mr. Lalith Rodrigo	Interest income on loans granted to SUH during the year	Note C	830,740	708,000	-	-	0%	0%	0%
United Hotels Co. Ltd (UHCL)	Subsidiary	Mr. Sanjeev Gardiner	Interest expense on temporary advances given by UHCL	Note C	(116,931,503)	(65,076,294)	(1,319,417,573)	(1,125,523,963)	-5%	-1%	-1%
		Mr. Priyantha Maddumage	Net Temporary advances given by UHCL	Note C	(76,633,170)	(937,806,728)			-3%	0%	-8%
		Mr. Mangala Boyagoda	*Net trade nature movement	Note A	(328,936)	(1,033,302)			0%	0%	0%
		Mr. Revantha Devasurendra									
		Mr. Shalike Karunasena									
c. Transactions with other related companies - Recurring transactions											
GFH Management Company (Pvt) Ltd. (GFHM)	Affiliate	Mr. Sanjeev Gardiner	Settlements made for the period	Note A	27,663,426	5,000,000	(17,483,591)	(20,424,788)	1%	0%	0%
		Mr. Priyantha Maddumage	Services provided by GFHM to KHC	Note A	(18,062,264)	(11,321,876)	-	-	-1%	0%	0%
		Mr. Dinesh Stephen Weerakkodi	*Net trade nature movement	Note A	(6,659,965)	(10,759,015)	-	-	0%	0%	0%
		Mr. Harsha Amarasekera									
		Mr. Shalike Karunasena									

Name of the related party	Relationship	Name of the director	Nature of transactions	Terms of transactions	Aggregate value of related party transactions entered into during the period		Balance as at 31 March		Aggregate value of related party transactions as a % of		
					2026 Rs.	2025 Rs.	2026 Rs.	2025 Rs.	Revenue	Total Asset	Equity
Tissa Resort (Pvt) Ltd (TRL)	Sub-subsidiary	Mr. Priyantha Maddumage	Expenses paid by TRL on behalf of the Company	Note A	-	23,187	(34,993,006)	(23,076,813)	0%	0%	0%
		Mr. Shalike Karunasena	Net Temporary advances given by TRL	Note A	(12,000,000)	(23,100,000)	-	-	-1%	0%	0%
			*Net trade nature movement	Note A	83,807				0%	0%	0%
CHC Rest Houses (Pvt) Ltd (CHCRH)	Other related company	Mr. Binod Kumar Chaudhary	*Net trade nature movement	Note A	274,701	-	274,701	-	0%	0%	0%
		Mr. Tilak De Zoysa									
		Mr. Rahul Chaudhary									
		Mr. Shalike Karunasena									
Galle Face Group (Pvt) Ltd (GFG)	Affiliate	Mr. Sanjeev Gardiner	Services provided by GFG to KHC	Note A	(7,278,510)	(1,533,586)	(8,812,096)	(1,533,586)	-3%	0%	0%
		Mr. Priyantha Maddumage	Settlements made for the period	Note A	(63,291,894)				3%	0%	0%
		Mr. Matthias Roeke									
The Galle Face Hotel Company Ltd (GFHCL)	Affiliate	Mr. Sanjeev Gardiner	Expenses paid by GFHCL on behalf of the Company	Note A	-	-	(500,000)	(500,000)	0%	0%	0%
		Ms. Sheanna Gardiner									
		Mr. Lalith Rodrigo									
Galle Face Hotel 1994 (Pvt) Ltd (GFH 1994)	Affiliate	Mr. Sanjeev Gardiner	Expenses paid by GFH 1994 on behalf of the Company	Note A	-	-	(1,115,560)	(1,115,560)	0%	0%	0%
		Mr. Lalith Rodrigo									
		Mr. Priyantha Maddumage									
		Mr. Shalike Karunasena									
Ceylon Hotels Maldives (Pvt) Ltd (CHML)	Sub-subsidiary	Mr. Sanjeev Gardiner	Temporary advances received from CHML	Note B	-	22,200,000	-	-	0%	0%	0%
		Mr. Priyantha Maddumage									
		Mr. Shalike Karunasena									

Note A - Transactions carried out in the ordinary course of business and charge at the face value of the expenses.

Note B - Temporary advances given in the ordinary course of business and no interest is charged on the outstanding balances. Payable on demand and short term in nature.

Note C - Terms and conditions related to inter company lendings

*Trade nature balances indicate RPT balances reclassified from trade creditors and trade debtors.

33.4 Terms and conditions relating to intercompany borrowings and lending

Borrower	Repayment	Interest rate
Suisse Hotel (Pvt) Ltd	On Demand	Fixed interest rate - 8% per annum

Lender	Repayment	Interest rate
United Hotels Company Limited	On Demand	AWPLR+ 1% per annum

Transactions with related parties are carried out in the ordinary course of the business and are at arm's length price.

33.5 Recurrent transactions with related parties

Recurrent related party transactions which in aggregate value exceeds 10% of the consolidated revenue of the Group as per March 31, 2026 audited financial statements, which require additional disclosures in the 2025/26 Annual Report under Colombo Stock Exchange listing rule 9.14.8 and Code of Best Practices on Related Party Transactions under the Securities and Exchange Commission Directive issued under section 13(c) of the Securities and Exchange Commission Act are disclosed under Note 33.3 above.

33.6 Non - recurrent transactions with related parties

There are no non-recurrent related party transactions for the year ended March 31, 2026.

33.7 Compensation paid to key management personnel

According to Sri Lanka Accounting Standard 24 'Related Party Disclosures', Key management personnel are those having authority and responsibility for planning, directing and controlling the activities of the entity. Accordingly, the Board of Directors including executive and non-executive Directors have been classified as Key Management Personnel (KMP) of the Company. No emoluments were paid during the year to key management personnel.

33.8 Transactions, arrangements and agreements involving KMP and their Close Family Members (CFM)

CFM of a KMP are those family members who may be expected to influence, or be influenced by, that KMP in their dealings with the entity. They may include KMP's domestic partner and children, children of the KMP's domestic partner and dependents of the KMP or the KMP's domestic partner. CFM are related parties to the Group. There were no transactions carried out with the above parties.

33.9 The Directors have disclosed the nature of their interests in contracts, and such disclosures are entered in the Interests Register maintained by the Company.

There are no other related party transactions other than those disclosed above.

34 CONTINGENT LIABILITIES

a) Pending litigations

The Group has contingent liabilities in respect of legal claims arising in the ordinary course of business. It is not anticipated that any material liabilities will arise from such legal claims.

There were no material contingent liabilities for the Group other than those disclosed below, as at the balance sheet date.

The Group is pursuing or is being pursued with legal action on the following legal cases. As per the representation given by the management these cases are still outstanding as at 31 March 2026.

The Kandy Hotels Company (1938) PLC

Name/Institution	Nature	Case No.
H. M Dingiri Menike	Tenant	RE/2645
Pledge Holidays (Pvt) Ltd	Tenant	DMR 972/21
M.W.H. Waheed of Tourist Shopping Centre	Tenant	DMR 02743/19
Dhammika Swarnasinghe of Swarna & Sons	Tenant	CPC/HD/KRB/02/2025
Labour department	Unpaid budgetary relief allowance	APP/07/22 - HC Kandy
Labour department	Unpaid budgetary relief allowance	APP/73/2022 - HC Kandy

United Hotels Company Limited

Name/Institution	Nature	Case No.
Bentota Pradeshiya Sabha	Local government related case	25263/MC Balapitiya
Bentota Pradeshiya Sabha	Local government related case	34452/MC Balapitiya
Bentota Pradeshiya Sabha	Local government related case	43335/MC Balapitiya
Bentota Pradeshiya Sabha	Local government related case	51834/MC Balapitiya
Bentota Pradeshiya Sabha	Local government related case	71863/MC Balapitiya
Bentota Pradeshiya Sabha	Local government related case	64437/MC Balapitiya
1. Mr.Ranul Deelaka Thanthilage 2. Padmalatha Abeysinghe	Money recovery action filed for a sum of Rs. 50,000,000/- by the defendants allegedly for medical bills, mental stress and loss suffered by them after falling from a broken chair at the Ekho Lake House Hotel, Polonnaruwa.	DMR/1552/24 - District Court - Colombo

Tissa Resort (Pvt) Ltd

Name/Institution	Nature	Case No.
Labour Department	Unpaid budgetary relief allowance	SC/SPL/LA/286/2023 - Supreme Court
Labour Department	Unpaid budgetary relief allowance	SC/SPL/LA/287/2023 - Supreme Court

Although, there can be no assurance, the directors believe, based on the information currently available, that the ultimate resolution of such legal procedures would not likely have a material adverse effect on the results of operations, financial position or liquidity of the company. Accordingly no provision for any liability has been made in the financial statements, nor has any liability been determined by the ongoing legal cases, as at 31 March 2026.

35 CAPITAL COMMITMENTS

There were no capital commitments approved by the Board of Directors, but not yet contracted (2024/25- Nil).

36 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group has exposure to the following risks from its use of financial instruments; Credit risk, Liquidity Risk and Market Risk.

The note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risks, and the Group's management of capital. Further, quantitative disclosures are included throughout these consolidated financial statements.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

Financial instruments held by the Group principally comprise of cash, fixed deposits ,trade and other receivables, trade and other payables, loans and borrowings. The main purpose of these financial instruments is to manage the operating, investing and financing activities of the Group.

Financial risk management of the Group is carried out based on guidelines established by its parent Group's finance department which comes under the preview of the Board of Directors.

The parent Company's finance department evaluates financial risk in close co - operation with the hotel operational units. The parent Company provides guidelines for overall risk management as well, covering specific areas such as credit risk, liquidity risk, interest rate risk and foreign currency risk.

The Group has established guidelines for risk controlling procedures and for the use of financial instruments, including a clear segregation of duties with regard to financial activities, settlements, accounting and related controlling. The guide lines and systems are regularly reviewed and adjusted accordingly to changes in markets and products. The Group's Executive Directors monitor these risks primarily through its operating and financing activities.

36.1 Credit risk

Credit risk is the risk that a 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 and financial institutions, foreign exchange transactions and other financial instruments.

36.1.1 Exposure to credit risk

The Group's maximum exposure to credit risk as at the year end based on the carrying value of financial assets in the statement of financial position is given below. There were no off- balance sheet exposures as at the year end date.

	Group				Company			
As at 31 March	2026 Rs.	% allocation	2025 Rs.	% allocation	2026 Rs.	% allocation	2025 Rs.	% allocation
Trade and other receivables	263,095,547	37%	253,282,458	41%	96,978,450	54%	102,965,485	84%
Amounts due from related companies	42,750,874	6%	51,013,933	8%	15,807,012	9%	9,534,816	8%
Cash and cash equivalents								
- Cash at bank	397,988,301	57%	308,905,275	50%	67,584,661	37%	9,756,796	8%
	703,834,722		613,201,666		180,370,123		122,257,097	

36.1.2 Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers various statistics of the Group's customer base, including the default risk, business relationships with due attention given to past performance, stability in the industry and creditworthiness, as these factors may have an influence on credit risk.

In monitoring customer credit risk, customers are grouped according to the business volumes and consider separately for granting credit limits. Some customers are grading as 'high risk' based on the credit worthiness established through past experience. Such customers are monitored carefully and future sales are made on a prepayment basis.

Please refer to 22.3 for impairment of debtors and 22.5 for trade receivables by credit quality.

36.1.3 Credit risk relating to cash and bank balances

In order to mitigate concentration, settlement and operational risks related to cash and bank balances, the company limits the maximum cash amount that can be deposited with a single counterparty. In addition, the company maintains an authorised list of acceptable cash counterparties based on current ratings and economic outlook, taking into account analysis of fundamentals and market indicators. The Group held cash and bank balances of Rs. 403 Million at 31 March 2026 (2025 - Rs. 315 Million).

36.2 Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with the financial liabilities that are settled by delivering cash or another financial asset. The Group's approach in managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group's policy is to hold cash and undrawn committed facilities at a level sufficient to ensure that the Group and company have available funds to meet its medium term capital and funding obligations, including organic growth and acquisition activities, and to meet any unforeseen obligations and opportunities. The Group holds cash and undrawn committed facilities to enable the Group to manage its liquidity risk.

The Group monitors its risk to shortage of funds using a daily cash management process. This process considers the maturity of both the Group's financial investments and financial assets (e.g. accounts receivable, other financial assets) and projected cash flows from operations.

36.2.1 Net (debt)/cash

	Group		Company	
As at 31 March	2026 Rs.	2025 Rs.	2026 Rs.	2025 Rs.
Cash in hand and at bank	402,671,283	314,581,849	69,884,660	12,056,795
Investment in fixed deposits	955,351,848	894,930,148	-	-
Total liquid assets	1,358,023,131	1,209,511,997	69,884,660	12,056,795
Interest-bearing loans and borrowings	(1,028,716,368)	(1,078,498,134)	(527,189,824)	(464,507,499)
Bank overdrafts	(239,329,758)	(333,903,751)	(153,880,580)	(206,142,156)
Total liabilities	(1,268,046,126)	(1,412,401,885)	(681,070,404)	(670,649,655)
Net (debt)/cash	89,977,005	(202,889,888)	(611,185,744)	(658,592,860)

36.2.2 Liquidity risk management

The mixed approach combines elements of the cash flow matching approach and the liquid assets approach. The business units attempt to match cash outflows in each time against a combination of contractual cash inflows plus other inflows that can be generated through the sale of assets, repurchase agreement or other secured borrowing.

Maturity analysis

The table below summarises the maturity profile of financial liabilities at 31 March 2026 based on contractual undiscounted payments.

Year ended 31 March 2026 Group	Carrying Amount Rs.	Contractual cash flows Rs.	Within 1 year Rs.	Between 1 to 5 year Rs.	More than 5 year Rs.	Total Rs.
Trade and other payables	500,279,564	500,279,564	500,279,564	-	-	500,279,564
Amounts due to related companies	108,683,536	108,683,536	108,683,536	-	-	108,683,536
Interest bearing loans & borrowings	1,028,716,368	1,317,089,003	268,463,254	1,048,625,749	-	1,317,089,003
Lease liabilities	120,416,222	369,783,477	18,943,311	84,500,166	266,340,000	369,783,477
Bank overdraft	239,329,758	239,329,758	239,329,758	-	-	239,329,758
	1,997,425,448	2,535,165,338	1,135,699,423	1,133,125,915	266,340,000	2,535,165,338

Year ended 31 March 2026 Company	Carrying Amount Rs.	Contractual cash flows Rs.	Within 1 year Rs.	Between 1 to 5 year Rs.	More than 5 year Rs.	Total Rs.
Trade and other payables	227,519,626	227,519,626	227,519,626	-	-	227,519,626
Amounts due to related companies	1,431,684,318	1,431,684,318	1,431,684,318	-	-	1,431,684,318
Interest bearing loans & borrowings	527,189,824	739,519,257	98,593,134	640,926,123	-	739,519,257
Bank overdraft	153,880,580	153,880,580	153,880,580	-	-	153,880,580
	2,340,274,348	2,552,603,781	1,911,677,658	640,926,123	-	2,552,603,781

Year ended 31 March 2025 Group	Carrying Amount Rs.	Contractual cash flows Rs.	Within 1 year Rs.	Between 1 to 5 year Rs.	More than 5 year Rs.	Total Rs.
Trade and other payables	634,310,901	634,310,901	634,310,901	-	-	634,310,901
Amounts due to related companies	84,584,692	84,584,692	84,584,692	-	-	84,584,692
Interest bearing loans & borrowings	1,078,498,135	1,130,130,944	345,144,386	784,986,558	-	1,130,130,944
Lease liabilities	126,517,145	389,635,454	18,727,311	87,841,476	283,066,667	389,635,454
Bank overdraft	333,903,751	333,903,751	333,903,751	-	-	333,903,751
	2,257,814,624	2,572,565,742	1,416,671,041	872,828,034	283,066,667	2,572,565,742

36.2.3 Management of liquidity risk

The Group's approach in managing the liquidity is to ensure, as far as possible, that it always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group has access to approved short-term financing facilities from commercial banks, if required.

The Group monitors the level of expected cash inflows on trade and other payables and it is estimated that the maturity of trade receivables as at the reporting date would occur in sufficient quantity and timing, given the historical trends, and currently available information which would enable the Group to meet its contractual obligations.

- Maintaining a diversified funding base and appropriate contingency facilities.
- Carrying a portfolio of highly liquid assets that can be readily converted into cash to protect against unforeseen short-term interruptions to cash flows.
- Monitoring liquidity ratios and carrying out stress-testing of the Company's liquidity position
- Regular reviews on cash flow projections
- Availability of standby overdraft facility to be used in the event of an emergency

36.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

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
- Equity price risk

36.3.1 Interest rate risk

Interest rate is the risk of fluctuation of the value or cash flows of an instrument due to changes in the market interest rates.

The Group and the Company have cash and bank balances including deposits placed with banks and manage interest rate risk by actively monitoring the yield curve trend and interest rate movements for various deposits, cash and bank balances.

The Group's and the Company's interest rate risk objective is to manage an acceptable level of rate fluctuation on the interest expense in order to achieve this objective. The Group and the Company target a composition of fixed and floating borrowings based on assessment of its existing exposure and desirable interest rate profile.

a) Exposure to interest rate risk

The interest rate profile of the Group's interest bearing financial instruments as reported to the management of the Group is as follows.

	Group		Company	
As at 31 March	2026 Rs.	2025 Rs.	2026 Rs.	2025 Rs.
Variable rate instruments				
Interest-bearing loans and borrowings	1,028,716,368	1,078,498,134	527,189,824	464,507,499
Bank overdrafts	239,329,758	333,903,751	153,880,580	206,142,156
	1,268,046,126	1,412,401,885	681,070,404	670,649,655

b) Cash Flow sensitivity for variable rate instruments

The Group's and the Company's exposure to interest rate risk at the end of the financial year are shown in notes 24 and 28 to the financial statements.

A change of 1% in interest rates at the end of the reporting period would have increased/(decreased) profits or loss by the amounts shown below. This analysis assumes that all other variables remain constant.

As at 31 March	Group		Company	
	2026 Rs.	2025 Rs.	2026 Rs.	2025 Rs.
Variable rate instruments				
1% increase in interest rate	(12,680,461)	(14,124,019)	(6,810,704)	(6,706,497)
1% decrease in interest rate	12,680,461	14,124,019	6,810,704	6,706,497

The Group's borrowings and receivables are carried at amortised costs. The borrowings are periodically contractually repriced and to the extent are also exposed to the risk of future changes in market interest rates.

36.3.2 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 is exposed to currency risk on mainly borrowings that are denominated in a currency other than the respective functional currencies of the Group. These currencies primarily are in US Dollars (USD).

During 2025/26, the Sri Lankan Rupee remained relatively stable for most of the year, supported by improved external sector conditions, higher tourism earnings and workers' remittances. However, renewed geopolitical tensions in the Middle East towards the end of the financial year increased global energy prices and placed pressure on the Rupee and Sri Lanka's external sector. The Group continues to monitor foreign exchange movements closely and implement appropriate measures to manage the risks arising from its foreign currency-denominated liabilities and investments.

a) Exposure to currency risk

The summary of quantitative data about the Group's exposure to currency risk of the Group is as follows.

As at 31 March	2026		2025	
	Amount in USD	Amount in LKR	Amount in USD	Amount in LKR
Financial Assets				
Fixed deposits	3,031,035	955,351,848	3,019,870	894,930,148
Financial Liability				
Interest-bearing-borrowings	1,381,750	435,513,676	1,721,159	588,284,983
Net Finance Liability exposure	1,649,285	519,838,172	1,298,711	306,645,165

Closing average exchange rate as ta 31st March 2026 is Rs. 315.19 (2024/2025 - Rs.296.34)

b) Sensitivity to foreign exchange rate

The following table demonstrate the sensitivity to a reasonably possible change in the US dollar, with all other variables held constant. The impact of the Group's profit before tax due is to changes in the fair value of monetary assets and liabilities. The Group's exposure to foreign currency changes for all other currencies are not material.

As at 31 March	Group	
	+	-
1% change	5,198,382	(5,198,382)

c) Management of foreign exchange risk

- The treasury officer analyses the market condition of foreign exchange and analyse the utilisation of cash flows.
- Regularly review timing of foreign currency cash inflows and outflows and takes decisions on whether to reinvest the foreign cash flows or utilise to make the foreign currency payments.
- Looking out forward contract possibilities.

36.4 Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong financial position 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 the light of changes in economic conditions. To maintain or adjust the capital structure, the Group and the Company may or may not make dividend payments to shareholders, issue new shares or other instruments.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as debt divided by total capital. Total capital is calculated as 'Total equity' as shown in the statement of financial position.

The gearing ratios at the end of the reporting period were as follows.

As at 31 March	Group		Company	
	2026 Rs.	2025 Rs.	2026 Rs.	2025 Rs.
Interest-bearing loans and borrowings	1,028,716,367	1,078,498,136	527,189,824	464,507,499
Bank Overdraft	239,329,758	333,903,751	153,880,580	206,142,156
Less: Cash and cash equivalents	(402,671,283)	(314,581,849)	(69,884,660)	(12,056,795)
Less: Investment in fixed deposits	(955,351,848)	(894,930,148)	-	-
Net debt	(89,977,005)	202,889,890	611,185,744	658,592,859
Total Equity	11,136,599,177	10,063,408,803	11,007,809,836	11,106,095,433
Capital and net debt	11,046,622,172	10,266,298,694	11,618,995,580	11,970,830,448
Gearing ratio (Debt to Total Capital) - Times	(0.01)	0.02	0.05	0.06

37 FINANCIAL INSTRUMENTS

a) Financial instruments by category

The group holds the following financial instruments.

As at 31 March	Group 2026 Rs.	Group 2025 Rs.	Company 2026 Rs.	Company 2025 Rs.
Financial assets				
Financial assets not measured at fair value (amortised cost)				
Trade and other receivables	263,095,547	253,282,458	96,978,450	102,965,485
Amount due from related companies	42,750,874	51,013,934	15,807,012	9,534,816
Cash and cash equivalents	402,671,283	314,581,849	69,884,660	12,056,795
Financial liabilities				
Financial liabilities not measured at fair value (amortised cost)				
Trade and other payables	500,279,563	634,310,901	227,519,626	390,446,657
Interest-bearing loans and borrowings	1,028,716,368	1,078,498,135	527,189,824	464,507,499
Amounts due to related companies	108,683,536	84,584,692	1,431,684,318	1,191,295,366
Bank overdrafts	239,329,758	333,903,751	153,880,580	206,142,156

b) Credit quality of financial assets

In order to mitigate concentration, settlement and operational risks related to cash and cash equivalents, the Group limits the maximum cash amount that can be deposited with a single counterparty. In addition, the Group maintains an authorised list of acceptable cash counterparties based on current ratings and economic outlook, taking into account analysis of fundamentals and market indicators. The Group held cash and cash equivalents of Rs. 403 Mn as at 31 March 2026 (2025 - Rs. 315 Mn). The cash at bank with counterparties, which are rated AA/A, based on Fitch ratings.

38 EVENTS OCCURRING AFTER THE REPORTING DATE

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

INVESTOR INFORMATION

ANALYSIS OF ORDINARY SHAREHOLDERS AS AT 31ST MARCH 2026

Share Range	No. of Shareholders	Total Holdings	Percentage
1 - 1000	1,751	392,317	0.052%
1001 - 10000	717	2,813,911	0.373%
10001 - 100000	293	9,848,438	1.306%
100001 - 1000000	71	18,573,598	2.462%
1000001 - & Above	24	722,680,989	95.807%
Totals	2,856	754,309,253	100.000%

ANALYSIS OF PREFERENCE SHAREHOLDERS AS 31ST MARCH 2026

Shareholdings		No. of Shareholders			Total Holdings			Percentage		
		Foreign	Local	Total	Foreign	Local	Total	Foreign	Local	Total
1 to 1000	Shares	15	42	57	1,443	6,430	7,873	2.89%	12.86%	15.75%
1001 to 10000	Shares	0	4	4	-	26,336	26,336	0.00%	52.67%	52.67%
10001 to 100000	Shares	0	1	1	-	15,791	15,791	0.00%	31.58%	31.58%
Totals		15	47	62	1,443	48,557	50,000	2.89%	97.11%	100%

Shareholdings		No. of Holders	Total Holdings	Percentage
1 to 1000	Shares	57	7,873	15.75%
1001 to 10000	Shares	4	26,336	52.67%
10001 to 100000	Shares	1	15,791	31.58%
Totals		62	50,000	100.00%

Class of member	No. of Holders	Total Holdings	Percentage
Individuals	55	17,802	35.60%
Company	7	32,198	64.40%
Total	62	50,000	100.00%

a) Directors Shareholding in the Company

	31st March 2026		31st March 2025	
Name of the Director	Ordinary shares	Preference Shares	Ordinary shares	Preference Shares
Mr. Sanjeev Gardiner	175,000	9,500	87,500	9,500
Mr.Pradeep Nilanga Dela	Nil	Nil	Nil	Nil
Mr. Priyantha Maddumage	Nil	Nil	Nil	Nil
Mr.Indrajith Fernando	Nil	Nil	Nil	Nil
Mr. Shalike Karunasena	Nil	Nil	Nil	Nil
Mr.Nirmal De Soysa Cooke	Nil	Nil	Nil	Nil

b) Public Shareholding –177,562,943 (2025 – 120,469,503)

c) Percentage of ordinary shares held by public - 23.54% (2025-15.97%)

d) No. of Public shareholders – 2,845 (2025 - 1,998)

e) Related Companies

Name of Company	Shares
Ceylon Hotels Corporation PLC	528,661,003
Ceylon Hotels Investment (Pvt) Limited	44,715,471
Seylan Bank Plc / Hotel International (Pvt) Ltd	1938
Hotel International (Private)Limited	56,622
Ceylon Hotel Holdings (Pvt) Limited	411,983
United Hotels Company (Pvt) Limited	87,500
The Galle Face Hotel Co. Ltd	21,000
Deepthi (Private) Limited	4,375
Seven 77 (Private) Limited	8,750
Capital Land and General Private Limited	157,293
Seylan Bank Ltd / The Galle face Hotel Company Limited	445,375
Seylan Bank Ltd / Gladstone Capital (Private) Limited	2,000,000

f) Highest, lowest and Market value per share from 1st April 2025 to 31st March 2026

Period	Year ended 31st March 2026
Date High	02/10/2025
High Rs.	24.00
Date Low	20/06/2025
Low Rs.	10.00
Close Rs.	14.60
Trade Vol	16,964
Share Vol	103,773,834
Turnover Rs.	1,531,716,981
Last Traded date	31/03/2026
Days Traded	239

MARKET PRICE PER SHARE FOR THE PERIOD FROM 01/04/2025 TO 31/03/2026

	2025/26		2024/25	
	Date	Share Price Rs.	Date	Share Price Rs.
Highest Market Price	02/10/2025	24.00	12/20/2024	14.20
Lowest Market Price	20/06/2025	10.00	09/11/2024	7.00
Closing Market Price	31/03/2026	14.60	28/03/2025	11.50

MARKET CAPITALISATION

Market capitalisation of the company, which is the number of Ordinary shares in issue multiplied by the closing market value of a share was Rs. 11.01 billion as at 31st March 2026 (2024/25 - Rs.8.67 billion).

The float adjusted market capitalisation as at 31st March 2026 was Rs. 2,592 Mn (2024/25 - Rs. 1,385 Mn). The Company is in compliance with the Minimum Public Holding requirements applicable to a company listed on the Main Board, in accordance with Rule 7.13.1(a) of the Listing Rules of the Colombo Stock Exchange ("CSE"). The Company was transferred to the Main Board of the CSE with effect from 8 September 2025, with a public holding of 23.54%.

TOP 22 SHAREHOLDERS (ORDINARY VOTING) AS AT 31ST MARCH 2026

	Name	Position	No. of Shares	Holding %
1	Ceylon Hotels Corporation PLC	1	528,661,003	70.09
2	Seylan Bank PLC/Ambeon Holdings PLC (margin trading)	2	45,904,622	6.09
3	Ceylon Hotels Investment (Pvt) Limited	3	44,715,471	5.93
4	Adiuvat Investment Fund	4	36,582,097	4.85
5	Progruss Investments Limited	5	32,863,522	4.36
6	Mr. N.V.S. Saackville	6	4,368,000	0.58
7	DFCC Bank PLC/ATX Partners (Pvt) Ltd	7	2,500,000	0.33
8	Seylan Bank PLC/Gladstone Capital (Private) Limited	8	2,000,000	0.27
9	Mr. P.R.F. Collas	9	1,965,250	0.26
10	Mr. G.C. Goonetilleke	9	1,945,755	0.26
11	Mrs. L. Ratwatte	11	1,853,000	0.25
12	Seylan Bank PLC/Arcasia Investments & Trading (Pvt) Ltd	12	1,780,019	0.24
13	Mr. P.V. Gunasekera	13	1,750,000	0.23
14	Mrs. M.F. Gunasekera	13	1,750,000	0.23
15	Mrs. A.U.R. Pethiyagoda	15	1,500,000	0.20
16	Ms. M. Chevallaz	15	1,496,250	0.20
17	Mr. P. Chevallaz	15	1,496,250	0.20
18	Mr. A. Chevallaz	15	1,496,250	0.20
19	Ms. H. Sauties	15	1,496,250	0.20
20	Mr. J.P. Sauties	15	1,496,250	0.20
21	Mr. J. Laravoire	15	1,496,250	0.20
22	Mr. E. Laravoire	15	1,496,250	0.20
	Subtotal		720,612,489	95.53
	Balance held by others		33,696,764	4.47
	Total number of shares		754,309,253	100.00

TOP 22 SHAREHOLDERS (ORDINARY VOTING) AS AT 31ST MARCH 2025

	Name	Position	No. of Shares	Holding %
1	Ceylon Hotels Corporation PLC	1	528,661,003	70.09
2	Ceylon Hotels Investment (Pvt) Limited	2	49,715,471	6.59
3	Adiuvat Investment Fund	3	36,582,097	4.85
4	Progruss Investments Limited	4	32,863,522	4.36
5	Seylan Bank PLC/Hotel International (Pvt) Limited	5	32,641,938	4.33
6	Hotel International (Private) Limited	6	22,156,619	2.94
7	Mr. N.V.S. Saackville	7	4,368,000	0.58
8	Mr. P.R.F. Collas	8	1,965,250	0.26
9	Mr. G.C. Goonetilleke	9	1,945,755	0.26
10	Mrs. L. Ratwatte	10	1,853,000	0.25
11	Mr. P.V. Gunasekera	11	1,750,000	0.23
12	Mrs. M.F. Gunasekera	11	1,750,000	0.23
13	Mrs. A.U.R. Pethiyagoda	13	1,500,000	0.20
14	Mr. J. Laravoire	14	1,496,250	0.20
15	Mr. E. Laravoire	14	1,496,250	0.20
16	Ms. M. Chevallaz	14	1,496,250	0.20
17	Mr. P. Chevallaz	14	1,496,250	0.20
18	Mr. A. Chevallaz	14	1,496,250	0.20
19	Ms. H. Sauties	14	1,496,250	0.20
20	Mr. J.P. Sauties	14	1,496,250	0.20
21	Mr. J. F. C. Badcock	21	1,034,250	0.14
22	Mr. F. D. M. Badcock	21	1,034,250	0.14
	Subtotal		730,294,905	96.82
	Balance held by others		24,014,348	3.18
	Total number of shares		754,309,253	100.00

DECADE AT A GLANCE

Year Ended Group	2026 Rs.	2025 Rs.	2024 Rs.	2023 Rs.	2022 Rs.	2021 Rs.	2020 Rs.	2019 Rs.	2018 Rs.	2017 Rs.
Trading Results										
Turnover	2,215,630	1,506,060	1,223,258	309,340	181,219	145,045	410,664	703,480	685,380	681,174
Profit / (Loss) Before Tax	284,643	52,315	(100,396)	(69,080)	(155,362)	(167,542)	(65,206)	156,898	261,163	289,451
Taxation	(69,910)	59,570	(19,460)	48,277	1,082	(154)	(7,343)	(31,272)	(36,944)	(43,274)
Net Profit/(Loss) for the Year	214,733	111,886	(119,856)	(20,803)	(154,280)	(167,695)	72,550	125,625	224,220	246,177
Property Plant & Equipment	12,193,463	12,252,343	10,593,519	8,511,705	8,572,371	7,461,021	7,523,970	6,300,285	6,348,836	6,389,610
Intangible Assets	2,780	2,840	2,040	8,358	12,086	16,777	21,512	26,198	29,344	46
Right-of-use Assets	97,939	103,136	108,333	-	-	-	-	-	-	-
Investment in subsidiary	-	-	-	-	-	-	-	-	-	-
Investment in Joint Venture	1,396,296	582,520	145,383	318,511	-	107,984	222,421	301,540	351,355	304,157
Investment in equity securities	-	-	-	731,741	600,000	525,000	525,000	600,000	600,000	-
Investment Fixed Deposits	955,352	894,930.15	-	-	-					
Non Current Assets	14,645,831	13,835,769	10,849,275	9,570,315	9,184,456	8,110,782	8,292,903	7,228,023	7,329,536	6,693,813
Current Assets	933,596	865,801	2,435,281	1,335,964	1,253,667	1,195,378	1,144,722	1,085,590	987,681	710,267
Current Liabilities	1,160,967	1,442,696	950,431	523,487	377,047	293,009	154,639	263,660	342,765	117,641
Net Current Assets	(227,371)	(576,895)	1,484,849	812,477	876,620	902,369	990,083	821,930	644,916	592,625
Capital Employed	14,418,459	13,258,874	12,334,124	10,382,792	10,061,076	9,013,151	9,282,986	8,049,953	7,974,452	7,286,438
Less : Non Current Liabilities										
Interest bearing loans & borrowings	808,309	720,515	1,043,121	483,770	527,787	547,616	629,844	525,300	508,700	-
Deferred Tax Liabilities	2,350,460	2,343,828	2,083,803	1,876,923	860,394	715,767.99	736,754.80	565,751.02	569,664.90	201,745.55
Lease Liabilities	102,343	107,392	107,994	-	-	-	-	-	-	-
Retirement Benefit Obligations	20,748	23,731	15,739	4,076	3,802	4,554	4,281	4,920	5,158	4,449
NET ASSETS	11,136,599	10,063,409	9,083,468	8,018,023	8,669,094	7,741,799	7,910,050	6,953,982	6,890,929	7,080,244
SHARE CAPITAL & RESERVES										
Stated capital	2,661,816	2,661,816	2,661,816	16,750	16,750	16,750	16,750	16,750	16,750	16,750
Reserves	8,474,783	7,401,592	6,421,652	8,001,273	8,652,344	7,725,049	7,893,300	6,937,232	6,874,179	7,063,494
Share Holders Funds	11,136,599	10,063,409	9,083,468	8,018,023	8,669,094	7,741,799	7,910,050	6,953,982	6,890,929	7,080,244
Ratios And Statistics										
Current Ratio	0.80	1.22	2.56	2.55	3.32	4.08	7.40	4.12	2.88	6.04
Earnings/(Losses) per Ordinary Share (Rs.)	0.28	0.15	(0.17)	(0.04)	(0.27)	(0.29)	(0.13)	0.22	0.39	0.43
Net Assets per Ordinary Share (Rs.)	14.76	13.34	12.04	13.88	15.01	13.41	13.70	12.04	11.93	12.26

Year Ended Company	2026 Rs.	2025 Rs.	2024 Rs.	2023 Rs.	2022 Rs.	2021 Rs.	2020 Rs.	2019 Rs.	2018 Rs.	2017 Rs.
Trading Results										
Turnover	920,300	527,147	594,885	309,340	181,219	145,045	410,664	703,480	685,380	681,174
Profit / (Loss) Before Tax	(129,083)	(127,774)	(80,810)	(63,996)	(223,602)	(52,919)	34,214	206,716	231,766	291,111
Taxation	31,282	37,840	18,021	48,277	1,082	(154)	(7,343)	(31,272)	(36,944)	(43,274)
Net Profit/(Loss) for the Year	(97,801)	(89,934)	(62,789)	(15,719)	(222,520)	(53,072)	26,871	175,443	194,822	247,837
Property Plant & Equipment	10,107,783	10,166,931	8,462,051	8,511,705	8,572,371	7,461,021	7,523,970	6,300,285	6,348,836	6,389,610
Intangible Assets	319	520	725	8,358	12,086	16,777	21,512	26,198	293,444	46
Investment in subsidiary	4,718,064	4,718,064	4,718,064	176,421	176,421	352,843	352,843	352,843	352,843	352,843
Investment in equity securities	-	-	-	731,741	600,000	525,000	525,000	600,000	600,000	-
Non Current Assets	15,149,167	15,208,515	13,180,840	9,428,225	9,360,877	8,355,641	8,423,325	7,279,326	7,331,024	6,742,499
Current Assets	309,131	292,582	185,869	1,341,558	1,253,667	1,195,349	1,144,616	1,085,549	987,645	710,133
Current Liabilities	1,871,595	1,976,754	604,362	523,339	376,390	292,520	154,172	263,421	342,678	117,558
Net Current Assets	(1,562,464)	(1,684,172)	(418,493)	818,219	877,277	902,829	990,444	822,127	644,968	592,575
Capital Employed	13,586,703	11,307,802	12,762,347	10,246,444	10,238,154	9,285,470	9,413,769	8,101,454	7,975,991	7,335,074
Less : Non Current Liabilities										
Interest bearing loans & borrowings	479,315	288,427	447,232	483,770	527,787	547,616	629,844	525,300	508,700	-
Deferred Tax Liabilities	2,092,403	2,123,877	1,847,510	1,876,923	860,394	715,768	736,755	565,751	569,665	201,746
Retirement Benefit Obligations	7,175	5,945	4,687	4,076	3,802	4,554	4,281	4,920	5,158	4,449
NET ASSETS	11,007,810	11,106,095	10,462,917	7,881,675	8,846,172	7,987,117	8,040,834	6,953,982	6,892,469	7,128,880
SHARE CAPITAL & RESERVES										
Stated capital	2,661,816	2,661,816	2,661,816	16,750	16,750	16,750	16,750	16,750	16,750	16,570
Reserves	8,345,993	8,444,279	(2,651,354)	7,864,925	8,829,422	7,970,367	6,937,232	6,937,232	6,875,719	7,112,130
Share Holders Funds	11,007,810	11,106,095	10,462,917	7,881,675	8,846,172	7,987,117	6,953,982	6,953,982	6,892,469	7,128,880
Ratios And Statistics										
Current Ratio	0.17	0.15	0.31	2.56	3.33	4.09	7.42	4.12	2.88	6.04
Earnings/(Losses) per Ordinary Share (Rs.)	(0.13)	(0.12)	(0.09)	(0.03)	(0.39)	(0.09)	0.05	0.22	0.34	0.43
Net Assets per Ordinary Share (Rs.)	14.59	14.72	13.87	13.65	15.32	13.83	13.92	12.04	11.94	12.34
Market Shareholder Information										
No of shares in issue	754,309	754,309	754,309	577,500	577,500	577,500	577,500	577,500	577,500	577,500
Highest	24.00	13.50	10.60	9.80	10.20	5.90	6.50	-	6.50	8.10
Lowest	10.00	10.00	6.70	5.10	4.50	4.70	4.00	-	5.20	5.00
Market Capitalisation	11,012,915	8,674,556	6,109,905	4,331,250	3,984,750	3,060,750	2,483,250	-	3,060,750	3,465

NOTES

NOTICE OF ANNUAL GENERAL MEETING

THE KANDY HOTELS COMPANY (1938) PLC – PQ 201- No.327, Union Place, Colombo 2

NOTICE IS HEREBY GIVEN that the 97th Annual General Meeting of The Kandy Hotels Company (1938) PLC (KHC) will be held as a Virtual Meeting on 25th September 2026 at 2.00 p.m., assembled at Corporate Office No.327, Union Place, Colombo 02 via Audio/Video Technology for the purpose of conducting the following businesses:

1. To receive, consider and adopt the Annual Report of the Board of Directors on the affairs of the company, the Audited Accounts for the year ended 31st March 2026 and the Report of the Auditors thereon.
2. To re-elect Mr. Priyantha Maddumage who retires by rotation in terms of Article 91 and 93 of the Articles of Association.
3. To re-appoint Messrs. Ernst & Young, Chartered Accountants, and the retiring Auditors for the ensuing Financial Year and authorise the Directors to fix their remuneration.
4. To authorise the Directors to determine donations for 2026/2027 and up to the next Annual General Meeting date.
5. To transact any other business that may properly be brought before the meeting.

By order of the Board of Directors of

THE KANDY HOTELS COMPANY (1938) PLC

(Sgd.)
Deloitte Corporate Services (Private) Limited
Company Secretaries

Colombo, on 31st August 2026

Note:

a. Only persons who are shareholders of the Company and whose names appear on the Share Register as of the AGM date will be entitled to attend the above meeting.

b. A shareholder entitled to attend and vote at the above meeting is required to complete and submit a pre-registration form in order to ensure participation at the AGM of the Company. Only members of KHC are entitled to take part in the AGM of KHC.

c. A Pre-registration form is enclosed for this purpose to be completed by KHC Shareholders only.

d. A member 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 need not be a member of the Company.

e. A form of proxy is enclosed for this purpose.

f. The instruments for registration and appointing a proxy must be completed and deposited at the Deloitte Corporate Services (Private) Limited, No.100, Braybrooke Place, Colombo 02, 48 hours before the meeting or e-mail to afirdhous@deloitte.com

g. For more information on how to participate by virtual means in the above meeting, please refer to the supplementary notice to shareholders.

FORM OF PROXY

THE KANDY HOTELS COMPANY (1938) PLC
(Company Registration No PQ 201) No.327, Union Place, Colombo 2

I/We ....

bearer of NIC) ....of

....

being a shareholder/shareholders of The Kandy Hotels Company (1938) PLC, hereby appoint:

- Full name of proxy : ....
- NIC of Proxy : ....
- Address of Proxy : ....
- Contact Numbers : Land - .... Mobile - ....
- Email address : ....

failing him/her
Mr. Sanjeev Gardiner of Colombo (or failing him)
Mr. Priyantha Pushpakumara Maddumage of Colombo (or failing him)
Mr. Pradeep Nilanga Dela of Colombo (or failing him)
Mr. Chaminda Shalike Karunasena of Colombo (or failing him)
Mr. Indrajith Fernando of Colombo (or failing him)
Mr. Nirmal De Soysa Cooke of Colombo

as my/our Proxy to represent me/us** to vote for me/us on my/our behalf at the 97th 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 thereon.

I/We** the undersigned, hereby direct my/our* proxy to speak and vote for me/us and on my/our behalf on the resolution set out in the Notice convening the meeting, as follows:

	For	Against
1. To receive, consider and adopt the Annual Report of the Board of Directors on the affairs of the company, the Audited Accounts for the year ended 31st March 2026 and the Report of the Auditors thereon.		
2. To re-elect Mr. Priyantha Maddumage who retires by rotation in terms of Article 91 and Article 93 of the Article Articles of Association.		
3. To re-appoint Messrs. Ernst & Young, Chartered Accountants, and the retiring Auditors for the ensuing Financial Year and authorise the Directors to fix their remuneration.		
4. To authorise the Directors to determine donations for 2026/2027 and up to the next Annual General Meeting date.		
5. To transact any other business that may properly be brought before the meeting.		

In witness my/our** hands on this .... day of .... Two Thousand and Twenty-Six (2026).

....
Signature of Shareholder

Notes: * Please indicate your folio number given in the address sticker carrying this annual report pack,
** Instructions as to completion appear overleaf, ***Please indicate with an "x" in the space provided, how your Proxy is to vote on the Resolutions.
If no indication is given, the Proxy in his discretion will vote as he thinks fit.

Form of Proxy

INSTRUCTIONS AS TO COMPLETION

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. A proxy need not be a shareholder of the Company. However, the proxy must be above 18 years of age.
3. The completed form of proxy must be deposited at the Deloitte Corporate Services (Private) Limited, No. 100, Braybrooke Place, Colombo 02, or e-mail to the Company Secretaries via e-mail afirdhous@deloitte.com not less than forty-eight hours before the time fixed for the meeting
4. If you wish to appoint a person other than the Chairman or a Director of the Company, please insert the relevant details at the space provided (above the names of the Board of Directors) on the Proxy Form.
5. If the Form of Proxy is signed by an Attorney, the relative Power of Attorney should accompany the Form of Proxy for registration, if such Power of Attorney has not already been registered with the Company.
6. If the appointer is a company/ Incorporated body, this form must be executed in accordance with the Articles of Association/ Statute.

CORPORATE INFORMATION

NAME OF THE COMPANY
The Kandy Hotels Co. (1938) PLC

COMPANY REGISTRATION NUMBER
PQ 201

LEGAL FORM
A public quoted company with limited liability incorporated in Sri Lanka in 1924

STOCK EXCHANGE LISTING
The ordinary shares of the Company are listed with the Colombo Stock Exchange of Sri Lanka

DIRECTORS
Mr. Sanjeev Gardiner - Chairman

Mr. Priyantha Maddumage

Mr. Pradeep Nilanga Dela

Mr. Shalike Karunasena

Mr. Asela Indrajith Fernando – Independent Non-Executive Director

Mr. Nirmal De Soysa Cooke – Senior Independent Director

REGISTERED OFFICE
No. 327, Union Place, Colombo 02

Tel :- 011 7657900, 011 2421847

Email : Corporateoffice@ceylonhotels.net

Corporate website : www.chcplc.com

MANAGERS OF THE QUEEN'S HOTEL AND HOTEL SUISSE
Galle Face Group (Pvt) Limited

HOTEL RESERVATIONS
Ceylon Hotels Corporation PLC
No.327, Union Place, Colombo 02

Tel : 011 7765555

Email : reservations.queens@kandyhotels.lk
reservations.suisse@kandyhotels.lk

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

SECRETARIES
Deloitte Corporate Services (Private) Limited
No.100, Braybrooke Place, Colombo 02.

Tel : 011 7719700

EXTERNAL AUDITORS
Messrs. Ernst & Young
Chartered Accountants
No 839/2 Peradeniya Road,
Kandy.

Tel:- 011-5426426

BANKERS
Commercial Bank of Ceylon PLC

Nations Trust Bank PLC

Hatton National Bank PLC

Sampath Bank PLC

Designed & produced by emagewise

The Kandy Hotels Co. (1938) PLC
No.327, Union Place, Colombo 02.

www.queenshotel.lk
www.hotelsuisse.lk