GRAND HOTEL
ESTABLISHED 1891

The Nuwara Eliya Hotels Co. PLC

Annual Report
2025/2026

Contents

About this Report

Welcome to the Sixth integrated Annual Report of The Nuwara Eliya Hotels Company PLC. For the financial year 2025/26, the Company has once again adopted the Integrated Reporting framework, reaffirming its commitment to communicating financial, operational, governance, sustainability and strategic performance for the year ended 31 March 2026. It has been prepared to provide shareholders, investors, guests, employees, regulators and other stakeholders with a balanced and transparent account of how the Company creates and preserves value over the short, medium and long term.

The report adopts the principles of integrated reporting and seeks to demonstrate the interrelationship between our strategy, governance framework, risk management practices, financial performance and sustainability initiatives. Through this approach, we aim to provide stakeholders with a holistic understanding of the Company's operations, achievements, challenges and future prospects.

Reporting Scope, Boundary and Reporting cycle

This Annual Report covers the activities and performance of The Nuwara Eliya Hotels Company PLC for the financial year from 1 April 2025 to 31 March 2026 covering 12 months period. Unless otherwise stated, the information presented relates to the Company's operations and activities during the reporting period. Financial information is presented in Sri Lankan Rupees and has been prepared on a going concern basis.

Reporting Frameworks and Principles

This report has been prepared in accordance with the following reporting frameworks, regulations and guidelines:

Financial Reporting

The financial statements contained in this Annual Report have been prepared in compliance with:

- Sri Lanka Accounting Standards (SLFRS and LKAS) issued by the Institute of Chartered Accountants of Sri Lanka.
- Companies Act No. 7 of 2007, as amended.
- Listing Rules of the Colombo Stock Exchange.
- Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995.

Corporate Governance Reporting

- The Corporate Governance Report has been prepared with reference to and in compliance with:
- Listing Requirements of the Colombo Stock Exchange.
- Securities and Exchange Commission of Sri Lanka Act No. 19 of 2021 and subsequent amendments.
- Code of Best Practice on Corporate Governance (2023) issued by the Institute of Chartered Accountants of Sri Lanka.

Integrated and Sustainability Reporting

The Company continues to strengthen its sustainability disclosures and integrated reporting practices in line with internationally recognized frameworks and local guidance, including:

- SLFRS S1 – General Requirements for Disclosure of Sustainability-related Financial Information.
- SLFRS S2 – Climate-related Disclosures.
- CSE Sustainability Reporting Guide – Guidance for Communicating Sustainability issued by the Colombo Stock Exchange.
- Guidelines for Presentation of Annual Reports issued by the Institute of Chartered Accountants of Sri Lanka.
- International Integrated Reporting (IR) Framework issued by the International Integrated Reporting Council (IIRC).
- Global Reporting Initiative (GRI) Standards (2021).

Materiality and Stakeholder Engagement

The content of this report has been determined through consideration of matters that are material to our stakeholders and the Company's ability to create sustainable value. Management engages regularly with shareholders, guests, employees, suppliers, regulators, local communities and other stakeholders to understand their expectations and concerns. These insights assist in identifying material topics that influence strategic decision-making and reporting priorities.

Reliability and Transparency

The Board of Directors is responsible for the integrity and completeness of the information presented in this report. Financial information has been audited by the Company's Independent External Auditors, while governance and sustainability disclosures have been prepared based on information available at the date of publication and reviewed through internal reporting processes.

Assurance

The Board of Directors is committed to maintaining the accuracy, reliability and integrity of the information presented in this Annual Report. Appropriate internal controls, governance mechanisms and review procedures have been established to support the preparation and presentation of the disclosures contained herein.

About this Report contd.

The Financial Statements of The Nuwara Eliya Hotels Company PLC for the year ended 31 March 2026 have been independently audited by Ernst & Young in accordance with Sri Lanka Auditing Standards. The Independent Auditor's Report, which provides reasonable assurance on the Financial Statements, is presented in the Financial Reports section of this Annual Report.

The effectiveness of the Company's internal control environment and risk management framework is independently reviewed by the Internal Auditors, BDO Partners, in accordance with the annual internal audit plan approved by the Audit Committee.

The sustainability, governance and other non-financial information contained in this report have been prepared through internal reporting processes and management reviews. Unless otherwise stated, such information has not been subject to independent external assurance. However, the Company continues to enhance the quality, completeness and reliability of its non-financial disclosures in line with evolving reporting standards and stakeholder expectations.

The Board of Directors believes that the information presented in this Annual Report provides a fair, balanced and understandable assessment of the Company's performance, position and prospects.

Forward-looking Statements

This report contains certain forward-looking statements relating to future events, business prospects and operational performance. Such statements are based on current expectations, assumptions and estimates available to management at the time of preparation. Actual outcomes may differ due to changes in economic conditions, market dynamics, regulatory developments and other factors beyond the Company's control.

Through this Annual Report, The Nuwara Eliya Hotels Company PLC reaffirms its commitment to transparency, accountability, responsible business practices and the creation of sustainable value for all stakeholders.

About Us

Our Heritage

The Nuwara Eliya Hotels Company PLC stands as one of Sri Lanka's most distinguished hospitality companies, carrying forward a legacy that spans over a century. The Company owns and operates the iconic Grand Hotel, Nuwara Eliya, a landmark property deeply rooted in the history and heritage of Sri Lanka's hill country.

The origins of the Grand Hotel date back to the early nineteenth century, when the original building served as the residence of Sir Edward Barnes, Governor of Ceylon. Over the decades, the property evolved into one of the country's most celebrated hospitality establishments, renowned for its colonial elegance, timeless architecture, and exceptional service standards. Today, the Company continues to preserve this rich heritage while embracing contemporary hospitality practices to meet the evolving expectations of local and international travelers.

Incorporated " in 1974" as a public limited company and listed on the Colombo Stock Exchange, The Nuwara Eliya Hotels Company PLC has built a strong reputation for operational excellence, financial stability, and responsible corporate stewardship. Through decades of service, the Company has remained committed to delivering memorable guest experiences while contributing to the growth of Sri Lanka's tourism industry.

Our Legacy

The Company's legacy is built upon a unique combination of heritage, authenticity, and hospitality excellence. The Grand Hotel has long been recognized as one of Sri Lanka's most iconic hotel properties, welcoming generations of guests from around the world.

Our Vision

To be the most well-preserved heritage hotel in the world that exudes historical value yet boasts of the most modern conveniences which cocoons it's Guests in comfortable luxury, affording them a soothing relaxing experience and a treasured memory, while being respected and valued by our stakeholders for our method of operation and sustainability and be the name synonymous with "Royalty is our service "

While preserving its historic character and old-world charm, the Company continuously invests in enhancing guest experiences, upgrading facilities, and maintaining the highest standards of quality. This balance between tradition and innovation has enabled the Company to remain relevant and competitive while safeguarding the heritage entrusted to it.

Our enduring success is driven by the dedication of our employees, the trust of our guests, the support of our shareholders, and the strong relationships we maintain with our business partners and local communities.

Our Mission

To preserve and protect the hotel and its history, to upgrade the hotel and operate same with modern conveniences, to create a comfortable and relaxing space for our Guests to unwind in, to operate a sustainable business that is financially stable, to be up to date and techno and social media savvy, to create a happy and respected environment to our staff to operate in, to be responsible for the place and community we operate in, to be a green organization with zero waste, to be respected and recognized by our stakeholders as the number one heritage hotel in the world.

About Us contd.

Our Values

Our Guests are our royalty
Our history is our treasure
Our hotel is your castle
Loyalty and honesty first in employment
Sustainable and financially
stable in operations
We can, we will,
we smile and help
Never say no
A service from the heart,
served regally
We respect and gain it back
Humbleness first in our inquiry
One family, one castle
Our Guests reign we rule

Group Structure & Our Brands

The Nuwara Eliya Hotels Company PLC functions as the parent company within its hospitality portfolio and operates through its principal hotel assets and subsidiary investments.

Parent Company

- **The Nuwara Eliya Hotels Company PLC**

Subsidiary

- **Fair View Hotel (Private) Limited**

The Group's principal business activities include the provision of accommodation, food and beverage services, banqueting, leisure experiences, and other hospitality-related services. The Group's operations are centered around delivering premium hospitality experiences while maintaining strong standards of service excellence and financial discipline.

Our Brands

Grand Hotel, Nuwara Eliya

The Grand Hotel remains the flagship brand of the Group and is recognized as one of Sri Lanka's most iconic heritage hotels. Located in the heart of Nuwara Eliya, the hotel combines colonial elegance with modern comfort, offering guests a distinctive experience characterized by timeless charm, exceptional service, and picturesque surroundings. The property continues to attract both leisure and corporate travelers seeking a unique hill-country experience.

Fair View Hotel (Private) Limited

Fair View Hotel complements the Group's hospitality portfolio through the provision of accommodation and related hospitality services. The property supports the Group's strategic objective of expanding its presence and strengthening its service offering within Sri Lanka's tourism and leisure sector.

Looking Ahead

As Sri Lanka's tourism industry continues to evolve, The Nuwara Eliya Hotels Company PLC remains committed to preserving its heritage, strengthening its market position, and delivering sustainable value to all stakeholders. Guided by its rich history and supported by a dedicated team, the Company looks forward to creating exceptional hospitality experiences while contributing meaningfully to the growth of the nation's tourism sector.

Financial Highlights

Year at a Glance

Results of the year	Company			Group		
	2025/26	2024/25	% Change	2025/26	2024/25	% Change
Gross Revenue (Rs. '000)	2,263,230	2,182,883	4%	2,450,197	2,355,665	4%
Cost of Sales (Rs. '000)	(390,796)	(428,607)	-9%	(415,222)	(453,304)	-8%
Operating Profit before Interest & tax (Rs. '000)	836,103	802,945	4%	871,793	831,811	5%
Finance Income (Rs. '000)	263,454	223,612	18%	292,254	245,272	19%
Finance Expense (Rs. '000)	(540)	(1,769)	-69%	(636)	(999)	-36%
Profit / (Loss) before tax (Rs. '000)	1,099,017	1,024,788	7%	1,163,410	1,076,084	8%
Income tax expense (Rs. '000)	(337,308)	(296,283)	14%	(351,002)	(313,200)	12%
Profit / (Loss) after tax (Rs. '000)	761,709	728,505	5%	812,408	762,885	6%
Profit / (Loss) attributable to shareholders (Rs. '000)	761,709	728,505	5%	799,311	754,003	6%
Financial Position at the end of the year						
Shareholder's funds (Stated Capital & Reserves) (Rs. '000)	6,948,130	6,153,855	13%	7,181,024	6,349,183	13%
Number of shares in issue	2,186,040	2,186,040	0%	2,186,040	2,186,040	0%
Total Assets (Rs. '000)	8,468,020	7,652,939	11%	9,112,850	8,238,788	11%
Cash & Cash Equivalents (Rs. '000)	88,246	90,025	-2%	97,954	106,446	-8%
Ratios						
Return on shareholders' funds (%)	10.96	11.84	-7%	11.13	11.88	-6%
Return on total assets (%)	9.00	9.52	-6%	8.91	9.26	-4%
Year on year EPS Growth (%)	5	25	-82%	6	30	-80%
Interest Cover (Times)	1,549	454	241%	1,370	833	64%
Equity : Assets (%)	82	80	2%	81	80	2%
Current Ratio (Times)	7.39	6.45	15%	7.66	6.77	13%
Investors						
Earnings per share (Rs.)	348.44	333.25	5%	365.64	344.92	6%
Net assets per share (Rs.)	3,178	2,815	13%	3,285	2,904	13%
Market Shareholder Information						
Market price per share as at 31st March (Rs)	4,499	2,186	106%	4,499	2,186	106%
Market Capitalization (Rs. '000)	9,835,540	4,778,137	106%	9,835,540	4,778,137	106%
Price Earnings Ratio - Company (Times)	12.9	6.6	97%	12.3	6.3	94%

Chairman’s Message

PRESERVING HERITAGE WHILE BUILDING A FUTURE-READY HOSPITALITY BUSINESS

Dear Shareholders,
I am pleased to present the Annual Report and Financial Statements of The Nuwara Eliya Hotels Company PLC and its subsidiary for the financial year ended 31 March 2026.

The year under review was another encouraging year for the Group, supported by the continued recovery of Sri Lanka’s tourism industry and the enduring strength of the Grand Hotel brand. As one of Sri Lanka’s most iconic heritage hotels, the Grand Hotel continued to preserve its unique character while responding to the expectations of today’s travellers.

I am pleased to report that the Group delivered a strong financial performance during the year. Group revenue increased to Rs. 2.45 billion, while profit before tax improved to Rs. 1.16 billion. Profit after tax stood at Rs. 812.40 million, with earnings per share of Rs. 365.64. These results reflect focused revenue management, disciplined cost control, and the continued appeal of our hospitality offering.

During the year, we continued to focus on enhancing service quality, operational efficiency, and guest satisfaction. Our accommodation, dining, banqueting, and seasonal offerings remained important contributors to performance and helped further strengthen Grand Hotel’s position as a leading destination in Nuwara Eliya.

Looking ahead, our focus will be on building a more competitive and future-ready hospitality business while preserving the heritage value that defines Grand Hotel. We will continue to invest selectively in the property, strengthen food and beverage operations, improve digital engagement, and enhance the overall guest journey.

Our people remain central to our progress, and we will continue to invest in their development, service standards, and engagement. Sustainability also remains a key priority, as we operate responsibly in Nuwara Eliya by managing resources carefully, supporting the community, and strengthening environmentally responsible practices.

We remain optimistic about the medium to long-term prospects of Sri Lanka’s tourism sector. While global uncertainty, cost pressures, and changing travel patterns require careful management, the growing demand for distinctive travel experiences presents meaningful opportunities for the Company.

With a strong heritage brand, a valuable asset base, a committed team, and a prudent financial position, The Nuwara Eliya Hotels Company PLC is well placed to continue creating sustainable value for shareholders and stakeholders.

On behalf of the Board of Directors, I thank our shareholders, guests, employees, business partners, regulators, and the wider Nuwara Eliya community for their continued trust and support.

J.H.P. Ratnayeke
Chairman

11th August 2026

Deputy Chairman's Review

Building a Stronger Grand Hotel for the Future

Preserving heritage, strengthening resilience, and preparing for an experience-led, digital and sustainability-focused future

Our opportunity is not merely to participate in the recovery of tourism, but to convert the Grand Hotel's heritage, setting and service culture into stronger, more sustainable and more future-ready value creation.

Dear Shareholders,
It gives me great pleasure to present this review of The Nuwara Eliya Hotels Company PLC and its subsidiary for the financial year ended 31 March 2026.

The year under review was another meaningful period in the progress of the Company. We continued to benefit from the recovery and broadening of Sri Lanka's tourism industry, while strengthening the foundations of Grand Hotel through disciplined financial management, selective investment, improved guest offerings and a clearer strategic focus. Above all, the year reaffirmed the enduring strength of the Grand Hotel brand and the value of preserving heritage while investing for relevance.

Operating Environment: Recovery, Resilience and Opportunity

The global travel and tourism industry has regained strong momentum, although the nature of demand continues to evolve. According to the World Travel & Tourism Council, the sector's global economic contribution reached approximately US$11.6 trillion in 2025, representing around 9.8% of the global economy, with further growth expected in 2026. Travellers are increasingly seeking authentic and experience-led journeys that combine heritage, wellness, nature, dining, personalised service and digital convenience. For a destination such as Nuwara Eliya, and for a property such as Grand Hotel, this trend is particularly positive. It rewards hotels that can offer character, setting, service and memorable experiences rather than accommodation alone.

Sri Lanka achieved a record tourism performance in 2025, with 2.36 million tourist arrivals and tourism revenues of approximately US$3.2 billion. The national target of 3.0 million arrivals for 2026 demonstrates confidence in the continued recovery of the sector and the importance of tourism to foreign exchange earnings and employment. This momentum, if supported by destination marketing, air connectivity and consistent service standards, creates a favourable medium-term backdrop for well-positioned hospitality assets.

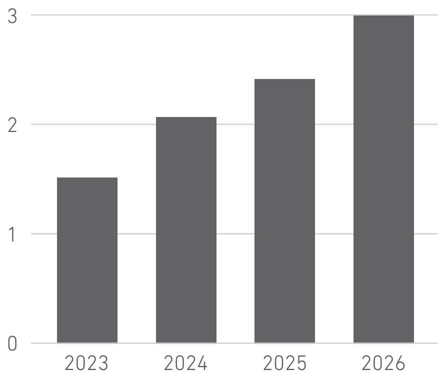
At the same time, the operating environment remains exposed to external shocks. Cyclone Ditwah created serious national disruption and affected parts of the hill country, including access routes and smaller tourism operators. The wider industry nevertheless demonstrated resilience, with many hotels continuing to operate and cancellation levels remaining contained. The lesson for the industry is clear: climate resilience, infrastructure readiness, crisis communication and destination confidence are now core elements of hospitality strategy.

Geopolitical developments also require careful monitoring. Tensions in the Middle East and other global uncertainties can influence energy prices, airline costs, travel sentiment and exchange rates. A prudent balance sheet, foreign currency liquidity, cost discipline and flexible revenue management therefore remain essential. Grand Hotel enters this environment from a position of strength, with a trusted brand, strong liquidity, minimal structural debt and an improving product base.

Tourism Context

- 2025 arrivals: 2.36 Mn
- 2025 Tourisam Earnings: US$3.2 Bn
- 2026 target: 3.0 Mn arrivals
- Strategic theme: value-led travel, digital visibility and resilience

Sri Lanka Tourism Momentum
International arrivals (Mn)



2026 Target reflect the national tourism ambition after the record 2025 performance.

Source note: Tourism figures are based on publicly reported tourism data

Growing Markets and Grand Hotel's Positioning

The strongest opportunity for Sri Lanka is not only to grow arrival numbers, but to improve yield by attracting the right mix of segments. India remains a critical regional market due to proximity, air connectivity, family travel, weddings, MICE and premium leisure potential. The United Kingdom, Europe, Russia and CIS markets continue to support longer-stay leisure and round-tour demand, while China, Australia, the Middle East and the Sri Lankan diaspora provide further opportunities for curated packages and destination-led experiences.

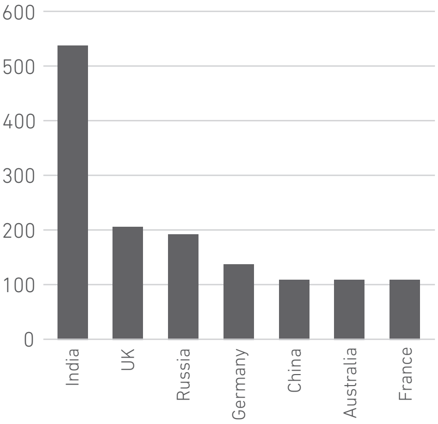
Grand Hotel is well placed to compete for these markets because it offers a combination that is difficult to replicate: a heritage building, a cool-climate destination, gardens, a strong culinary proposition, proximity to tea-country experiences and a long-established reputation for service. Our marketing

Deputy Chairman’s Review contd.

strategy must therefore highlight not only rooms, but the complete Grand Hotel experience - high tea, destination dining, weddings, banqueting, gardens, seasonal events and the emotional appeal of Nuwara Eliya.

Selected 2025 source-market opportunities

Turist arrivals (000s)



Grand hotel opportunity: convert board destination demand into value led Hill country stays dining and events

Financial Performance and Balance Sheet Strength

I am pleased to report that the Group delivered another strong financial performance during the year. Group revenue increased to Rs. 2.45 billion, while profit before tax rose to Rs. 1.16 billion and profit after tax stood at Rs. 812.4 million. Earnings per share improved to Rs. 365.64. These results reflect the continued strength of our operating platform, supported by prudent pricing, focused cost control, treasury discipline and the resilience of the Grand Hotel brand.

What distinguishes the Group even more clearly is the strength of its financial position. As at 31 March 2026, total assets stood at Rs. 9.11 billion and total equity at Rs. 7.41 billion. The Group maintained a strong liquidity position, with current assets of Rs. 3.80 billion and fixed deposits of approximately Rs. 3.40 billion. At a time when many operators in the sector continue to manage leverage and cash-flow pressure, Grand Hotel has preserved substantial financial flexibility.

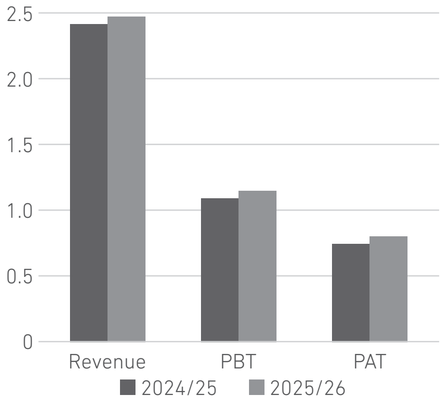
The Company has also maintained this position without structural long-term interest-bearing debt. The short-term book overdraft position reported at year-end was insignificant in comparison to the Company’s strong liquidity base and should be viewed in that context. It substantially represents a book overdraft position rather than a structural funding concern. In practical terms, Grand Hotel remains effectively ungeared and well placed to undertake carefully selected investments without placing unnecessary stress on the balance sheet. The deposit base also contributes meaningfully to finance income and provides an additional layer of resilience in a volatile operating environment.

Financial and Strategic Context at a Glance

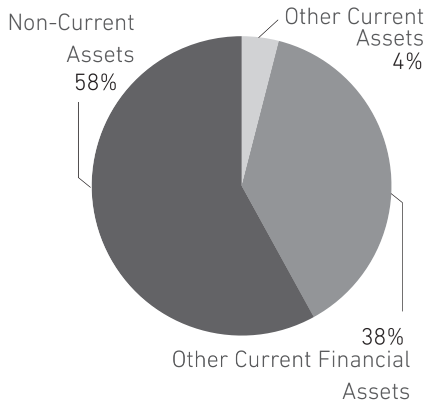
GROUP REVENUE Rs. 2.450 Bn +4.0% YoY	**PROFIT BEFORE TAX** Rs. 1.163 Bn +8.1% YoY	**PROFIT AFTER TAX** Rs. 812.41 +6.4% YoY
EPS Rs. 365.64 Improved	**TOTAL ASSETS** Rs. 9.112 Strong asset base	**FIXED DEPOSITS** Rs. 3.402 Bn Liquidity strength

Group Financial Performance

Rs. Mn.



FY2025/26 Asset Strength



Strengthening the Grand Hotel Experience

Over the past two years, the Company has shown that selective refurbishment, when aligned to guest expectations and heritage sensitivity, can translate directly into stronger commercial performance. The enhancement and relaunch of the Grand Verandah, together with the high-tea experience, demonstrated that Grand Hotel can successfully reposition heritage spaces into revenue-generating lifestyle experiences for both resident and non-resident guests. ‘

During the year, Barnes Hall was fully refurbished with an investment close to Rs. 200 million. This is an important strategic step. Barnes Hall is one of the most commercially significant spaces in the hotel, and its repositioning strengthens our ability to grow high-value banqueting, weddings, conferences, seasonal events and premium buffet experiences. The changes made to the guest buffet format during the year should also support better presentation, stronger guest satisfaction and improved outlet economics.

We have also commenced the refurbishment of the Red Lounge, one of the first spaces experienced by guests on arrival. In hospitality, first impressions shape value perception. At the same time, we have continued selected room refurbishments and room-level modifications to improve comfort and functionality while respecting the character of the property. The continuing improvement of our gardens, one of the great visual and emotional assets of Grand Hotel, also forms part of this broader guest-experience strategy.

1 Premium experiences	2 Pricing and revenue mgmt	3 Digital marketing	4 Outlet sales growth	5 New market development

Commercial Strategy and Revenue Growth

Our forward strategy must now convert these improvements into sustained revenue growth through sharper commercial execution. Grand Hotel has clear strengths in rooms, destination dining, events and premium domestic leisure demand. However, future growth will increasingly depend on pricing sophistication, market segmentation, channel management and content-led marketing. Our approach must therefore be based not on volume alone, but on value.

Food and beverage remains one of our clearest growth levers. The evidence from recent refurbishments and themed outlet promotions suggests that well-positioned dining concepts can materially improve both guest engagement and revenue mix. We will continue to strengthen outlet sales through menu engineering, curated promotions, premium buffet positioning, better event packaging and more focused promotion of non-room revenue streams.

Marketing and market development will receive greater focus in the coming year. We will continue to seek growth in domestic premium leisure, Indian and regional travellers, round-tour visitors, weddings, events and high-value niche markets, while strengthening digital visibility and direct customer engagement through social media, targeted campaigns, platform partnerships and stronger digital storytelling. Increased marketing investment must be measured, data-led and linked to revenue conversion.

Technology, AI and Digital Readiness

Technology is already reshaping the hospitality sector. The issue is no longer whether hotels should digitalise, but how they should do so in ways that strengthen service, efficiency and decision-making without compromising the warmth of human hospitality. Grand Hotel has already taken useful steps through HR systems, QR-based guest interaction, real-time feedback tools, OTA connectivity and a refreshed online presence. Going forward, these initiatives must be integrated into a more coordinated digital operating model.

Artificial intelligence will increasingly influence hospitality, particularly in areas such as guest communication, review sentiment analysis, marketing personalisation, revenue optimisation, forecasting, procurement intelligence, maintenance planning and operational anomaly detection. We do not see technology as a substitute for our people; we see it as an enabler of better decisions, faster response and more personalised guest engagement. At the same time, stronger cyber controls, data governance and system discipline will be essential if these benefits are to be captured safely and credibly.

Sustainability, Climate Resilience and SLFRS S1/S2 Readiness

Sustainability is no longer a standalone theme in annual reporting. It is becoming central to strategy, risk management, capital allocation and stakeholder confidence. Leading listed hotel groups in Sri Lanka are formalising sustainability reporting frameworks and preparing for or adopting SLFRS S1 and SLFRS S2. Grand Hotel must move in the same direction, in a manner suited to its scale and business model.

The impact of Cyclone Ditwah reinforces the importance of climate resilience for tourism and for hill-country destinations in particular. Responsible resource use, safety readiness, supplier continuity, garden stewardship, waste management, community engagement and infrastructure awareness are inseparable from the long-term attractiveness of the property and the destination. We will continue to strengthen the internal data, governance and operational discipline required to support sustainability-related disclosures.

Deputy Chairman's Review contd.

This begins with measurable operational focus: energy, water, waste, responsible sourcing, employee diversity, community impact and climate-related risks should be captured through better internal data and more structured oversight. Grand Hotel already has a meaningful base from which to build, including resource-efficiency initiatives, local engagement, CSR activities and the natural and visual importance of the garden environment. The next step is to convert these initiatives into a more coherent sustainability platform with clearer metrics and accountability.

People, Culture and Inclusion

Our people remain central to everything we do. The quality of service, smooth execution of operations, management of costs and successful implementation of refurbishment and outlet changes all depend on a capable and committed team. The Company is fortunate to have a strong management group and a service culture that continues to uphold the standards associated with Grand Hotel.

A particularly important next step will be the planned introduction of fully equipped ladies' accommodation for staff. Female representation in the workforce is currently around 20%, and this initiative is significant not only from a welfare perspective, but also from a talent and inclusion perspective. A better accommodation environment can help us attract, develop and retain more women in hospitality roles, thereby strengthening the long-term sustainability and diversity of our workforce.

Training, performance development, service standards and leadership capability must also continue to advance. As the operating environment becomes more digital, more sustainability-focused and more demanding in terms of guest expectations, our people must be equipped not only for traditional hotel service, but also for agility, data literacy and cross-functional problem-solving.

Governance, Risk and Future Outlook

Corporate governance remains a key pillar of long-term value creation. The next phase of hospitality growth will bring higher expectations from shareholders and regulators alike: better disclosure, stronger internal controls, more robust risk oversight, clearer accountability and more structured approaches to sustainability and digital risk. We welcome that evolution and will continue to strengthen our governance framework accordingly.

Looking ahead, the Board and management remain optimistic, while staying alert to the uncertainties that continue to shape global and regional travel. Tourism demand, exchange rates, transport costs, energy prices, labour constraints, weather-related disruption and geopolitical developments will all need to be monitored carefully. Yet the Company enters this period with a combination of strengths that is rare in the sector: a trusted heritage brand, a valuable asset base, a very strong financial position, minimal structural debt, ongoing property enhancement and a committed management team.

Advanced Forward-looking Priorities for 2026/27

Financial ambition and capital discipline
Work towards the approved 2026/27 revenue ambition, subject to market conditions, while protecting profitability through pricing discipline, procurement control, energy efficiency and a cost base that grows more slowly than revenue.

Shareholder value creation
Preserve the Company's ungeared financial position, maintain strong liquidity and deploy capital only where there is a clear strategic case: guest satisfaction, recurring revenue, brand strength, operational efficiency or long-term asset value.

Revenue mix and yield improvement
Increase value-led revenue from rooms, Barnes Hall, Grand Verandah, buffets, banqueting, weddings, events and outlets by improving packaging, direct conversion, market segmentation and dynamic pricing rather than relying only on volume.

Digital and AI operating model
Develop a practical digital roadmap covering direct booking conversion, customer relationship management, social media analytics, online reputation monitoring, AI-assisted forecasting and stronger cyber and data governance.

Sustainability and climate resilience
Establish an SLFRS S1/S2-ready sustainability dashboard covering energy, water, waste, climate-related risks, responsible sourcing, community impact and staff diversity, with progressive improvements in measurement and accountability.

People and inclusion
Strengthen service culture through training, leadership development and the planned ladies' accommodation facility, supporting greater female participation and long-term talent retention.

Community and destination value
Position Grand Hotel as a responsible anchor in Nuwara Eliya by supporting local suppliers, CSR activity, garden stewardship, destination confidence and tourism resilience after weather-related disruptions.

Governance and assurance readiness
Strengthen internal controls, revenue assurance, procurement discipline, IT access controls and sustainability data assurance so that growth is supported by transparent, reliable and board-level governance.

These priorities provide a more measurable roadmap for the next phase of the Grand Hotel. The objective is not only to grow the top line, but to create better quality earnings, stronger guest loyalty, a more capable workforce, more resilient operations and more transparent sustainability and governance practices. In this way, the Company can convert its heritage and financial strength into enduring value for all stakeholders.

Our priority is clear. We will continue to preserve the unique identity of Grand Hotel while building a business that is more commercially agile, more digitally capable, more sustainability-led and more competitive in the years ahead. With Barnes Hall revitalised, the Grand Verandah continuing to perform, the Red Lounge enhancement underway, rooms being progressively improved, the garden proposition growing stronger, and our marketing and systems agenda becoming more focused, we believe Grand Hotel is well positioned for its next phase of growth and value creation.

On behalf of the Board, I wish to thank our shareholders for their continued confidence, our guests for their loyalty, our employees for their commitment, and all our business partners and stakeholders for their continued support.

G.G. Ondaatjie
Deputy Chairman

11th August 2026

Management Discussion and Analysis

The New Era of Travel: Wellness, Sustainability and Experience-Led Tourism

Industry Outlook

The global travel and tourism industry continued its upward trajectory throughout 2025 and into 2026, marking a transition from post-pandemic recovery to sustainable long-term growth. International travel has largely returned to pre-pandemic levels, underpinned by strong consumer confidence, expanding air connectivity, easing travel regulations, and sustained demand across both leisure and business segments. However, the industry is no longer defined solely by growth in visitor numbers. Instead, competitive advantage is increasingly determined by an organization's ability to respond to changing traveller expectations, technological disruption, sustainability requirements, and an evolving global economic landscape.

The hospitality industry is operating within an environment where agility, innovation, and resilience have become strategic imperatives. Travellers are increasingly seeking personalized, experience-led, and environmentally responsible journeys, compelling hospitality providers to rethink traditional business models and create greater long-term value for guests and stakeholders alike.

Digital Transformation as a Competitive Differentiator

Technology continues to reshape every aspect of the travel ecosystem. Artificial Intelligence (AI), advanced data analytics, automation, and cloud-based technologies are transforming how travel is planned, booked, managed, and experienced.

AI-powered platforms now enable personalized travel recommendations, intelligent pricing strategies, predictive demand forecasting, automated customer engagement, and enhanced operational efficiency. Hotels are increasingly utilizing technology to streamline front-office operations, optimize revenue management, improve service delivery, and better understand guest behaviour.

While digital transformation presents significant opportunities for operational excellence and cost optimization, it also reinforces the importance of maintaining the human element of hospitality. Technology is increasingly viewed as an enabler of superior guest experiences rather than a replacement for personalized service. Organizations that successfully integrate technological innovation with authentic hospitality are expected to strengthen customer loyalty and operational performance over the long term.

Sustainability Driving Strategic Decision-Making

Sustainability has evolved beyond corporate social responsibility to become a core business priority. Investors, regulators, corporate clients, and consumers increasingly expect measurable environmental and social performance from tourism operators.

Hotels and tourism businesses are responding by investing in renewable energy, resource efficiency, waste reduction, responsible procurement, biodiversity conservation, and community engagement initiatives. Environmental, Social and Governance (ESG) considerations are now influencing investment decisions, procurement policies, brand reputation, and customer preference.

Organizations that proactively embed sustainability into their operating models are likely to enhance resilience, reduce long-term operating costs, strengthen stakeholder confidence, and position themselves favourably within increasingly environmentally conscious markets.

The Evolution of Traveller Expectations

Consumer preferences continue to shift towards authentic, immersive, and purpose-driven travel experiences. Modern travellers increasingly value cultural engagement, wellness, culinary tourism, eco-tourism, and meaningful local interactions over conventional sightseeing.

This evolution reflects a broader transition from product-based tourism to experience-based tourism. As a result, hospitality providers are increasingly differentiating themselves through curated guest experiences that foster emotional connections and deliver memorable value beyond accommodation alone.

Personalisation has become equally important. Leveraging customer insights and data analytics enables businesses to tailor services, anticipate guest needs, and build stronger long-term customer relationships in an increasingly competitive marketplace.

The Rise of Wellness and Bleisure Travel

Wellness tourism remains one of the fastest-growing segments within the global travel industry. Travellers are placing greater emphasis on physical wellbeing, mental health, and work-life balance, driving demand for wellness-focused accommodation, healthy dining, fitness facilities, mindfulness programmes, and nature-based experiences.

Simultaneously, the continued adoption of hybrid working models has accelerated the growth of “bleisure” travel, where business trips are extended for leisure purposes. This trend has created new opportunities for hospitality operators to diversify revenue streams through longer guest stays, flexible accommodation packages, enhanced business facilities, and integrated leisure offerings.

Workforce and Operational Challenges

Despite robust demand, the industry continues to navigate several structural challenges. Labour shortages, rising wage expectations, inflationary pressures, supply chain disruptions, and geopolitical uncertainty continue to influence operating costs and profitability across the sector.

In response, leading hospitality organizations are investing in workforce development, employee engagement, digital skills, and operational efficiencies to strengthen organizational resilience. The ability to attract, develop, and retain skilled talent remains fundamental to maintaining service excellence and delivering sustainable business performance.

Strategic Implications for the Hospitality Industry

The evolving global tourism landscape presents both significant opportunities and strategic challenges. Hospitality organizations that remain responsive to changing market dynamics will be better positioned to achieve sustainable growth.

Key strategic priorities include:

- Accelerating digital transformation to improve operational efficiency and enhance guest experiences.
- Embedding sustainability across business operations to meet evolving stakeholder expectations and regulatory requirements.
- Expanding personalized, experience-led products that reflect changing consumer preferences.
- Investing in employee capability, leadership development, and service excellence.
- Strengthening revenue diversification through wellness, extended-stay, and experiential tourism segments.
- Enhancing organizational resilience through innovation, data-driven decision-making, and prudent risk management.

The global travel and tourism industry is entering a period characterised not only by sustained growth but also by structural transformation. Success will increasingly depend on an organization's ability to anticipate market shifts, embrace technological innovation, and deliver differentiated experiences while maintaining strong environmental, social, and governance practices.

For the hospitality sector, these trends present a compelling opportunity to redefine value creation. Businesses that combine operational excellence with innovation, sustainability, and customer-centric strategies will be best positioned to strengthen competitive advantage, drive long-term profitability, and create enduring value for guests, employees, shareholders, and the wider communities in which they operate.

Market Dynamics and Industry Trends in Sri Lanka

Sri Lanka's tourism sector continued its strong recovery in 2025, recording 2.36 million tourists arrival and generating approximately USD 3.2 billion in tourism earnings, the highest annual arrivals in the country's history. Tourism remained a key contributor to foreign exchange earnings, employment, and broader economic recovery, reinforcing its importance as a strategic pillar of national growth.

While visitor arrivals reached record levels, growth in tourism receipts was comparatively modest, reflecting evolving travel patterns and lower average visitor spending. This highlights the industry's increasing focus on value creation rather than volume growth, with greater emphasis on attracting high-yield travellers, extending average lengths of stay, and enhancing destination experiences.

Looking ahead, Sri Lanka is well positioned to strengthen its competitiveness through continued investment in infrastructure, destination marketing, digital innovation, and sustainable tourism practices. For the hospitality sector, success will increasingly depend on delivering authentic, experience-led offerings, operational excellence, and long-term value creation that aligns with changing global traveller expectations.

Recovery, Resilience, and Emerging Challenges in Sri Lanka Tourism

Despite recording a strong recovery in tourist arrivals during 2025 and maintaining positive growth momentum into 2026, the Sri Lankan tourism industry continued to face several structural and external challenges.

One of the primary concerns was the decline in average visitor spending, with tourism earnings not increasing proportionately to the growth in arrivals. This highlighted the need to attract higher-value tourists and strengthen destination positioning. The industry also continued to face workforce shortages, particularly in hospitality operations, due to skilled labour migration and challenges in attracting and retaining talent.

Climate-related events and extreme weather conditions remained a significant risk, affecting tourism infrastructure, destination accessibility, and visitor confidence. The impact of Cyclone Ditwah in late 2025 further demonstrated the sector's vulnerability to natural disasters.

Additionally, global geopolitical tensions, rising fuel costs, and disruptions to international air travel created uncertainties for tourism demand and connectivity, particularly from key source markets.

The sector also continued to encounter challenges related to destination

Management Discussion and Analysis contd.

marketing, policy consistency, infrastructure development, and attracting foreign investment, all of which are essential for sustaining long-term growth and competitiveness.

While the tourism industry continued to navigate various challenges throughout 2025/2026, The Grand Hotel viewed these obstacles as opportunities to lead by example. As one of Sri Lanka's pioneering hospitality establishments, the hotel remained steadfast in its commitment to supporting the industry's recovery by creating positive market momentum and showcasing the destination's resilience. Through innovative promotions, memorable guest experiences, and strong stakeholder engagement, The Grand Hotel helped reinforce confidence among travelers and industry partners alike, demonstrating that Sri Lanka is a safe and desirable destination. These efforts not only contributed to the broader tourism recovery but also positioned the hotel for a strong resurgence, reflecting its enduring legacy, adaptability, and leadership within the hospitality sector.

Moving forward, the industry's success will depend on enhancing service quality, strengthening sustainability initiatives, improving infrastructure and connectivity, and positioning Sri Lanka as a high-value tourism destination capable of generating greater economic returns.

Strategic Investments in Infrastructure and Hospitality

Continuous development has long been a tradition at The Grand Hotel, reflecting our commitment to preserving a rich legacy while embracing the evolving expectations of modern hospitality. During the 2025/2026 financial year, a series of enhancement and refurbishment projects were undertaken to elevate both guest and employee experiences, ensuring that the property continues to set benchmarks within Sri Lanka's hospitality industry.

Recognizing that exceptional guest experiences begin with an empowered workforce, significant investments were directed towards staff welfare and operational facilities. Construction of an enhanced staff kitchen facility commenced during the year, aimed at providing a more comfortable and efficient environment for our team members. In addition, the development of new ladies' accommodation commenced in 2026, reinforcing the hotel's commitment to employee wellbeing, safety, and comfort.

Further enhancing the staff experience, the Executive Dining Facility underwent a comprehensive upgrade, creating a more refined and welcoming space for employees and executives alike. This initiative reflects the hotel's belief that the same standards of care, comfort, and hospitality extended to guests should also be experienced by the dedicated individuals who bring our service philosophy to life each day.

The year also marked the commencement of several transformative guest-facing developments. The iconic entrance doors, which have welcomed generations of distinguished visitors, dignitaries, and royalty from around the world, entered a carefully planned restoration and renovation programme. While preserving their historical significance, the project introduces refreshed architectural elements that will enhance the property's timeless elegance and strengthen its visual identity for years to come.

To further enrich the guest journey, renovation of the Welcome Lounge was initiated, creating a more sophisticated and inviting arrival experience. Designed to blend contemporary comfort with the hotel's historic charm, the enhanced space will offer guests a memorable first impression from the moment they arrive.

Room refurbishment and upgrading programmes also continued throughout the year, forming part of a long-term strategy to modernize accommodation offerings while preserving the unique character and heritage that define The Grand Hotel. These enhancements are focused on improving comfort, functionality, and overall guest satisfaction, ensuring that every stay reflects the standards of excellence synonymous with the Grand Hotel name.

Through these ongoing investments and development initiatives, The Grand Hotel continues to honour its proud heritage while embracing innovation, ensuring that both guests and employees benefit from an environment that combines tradition, luxury, and forward-thinking hospitality.

Enhancing Guest Experience and Operational Excellence

During FY 2025/26, The Grand Hotel Nuwara Eliya continued to strengthen its position as a leading hill country destination through strategic initiatives focused on guest experience, wellness, and sustainability.

The hotel recorded 23,735 room nights occupied, welcoming 49,762 resident guests, comprising 47,718 adults and 2,044 children, while maintaining an average occupancy of 42%. Despite challenging market conditions, room revenue increased by 14.6% compared to the previous year.

Key initiatives implemented during the year included the introduction of guided forest walks and weekly yoga sessions to promote wellness tourism, further enhancing the guest experience. The hotel also expanded its farm beautification programme and introduced strawberry cultivation, supporting immersive guest experiences while strengthening its farm-to-table concept through the provision of fresh, organically grown produce.
These initiatives reflect the hotel's ongoing commitment to service innovation, sustainability, and delivering

memorable experiences that align with evolving guest preferences.

Digital Presence and Guest Engagement – 2025/2026

During the 2025/2026 financial year, The Grand Hotel Nuwara Eliya continued to strengthen its digital footprint and online reputation, leveraging technology-driven engagement to enhance brand visibility, guest satisfaction, and commercial performance. As travelers increasingly relied on digital platforms for travel planning and decision-making, the hotel remained committed to delivering exceptional experiences both online and on property.

The hotel's strong reputation was reflected through consistently positive guest reviews and ratings across leading travel and hospitality platforms. Recognition through the TripAdvisor Travelers' Choice Award further reaffirmed The Grand Hotel's position among the region's most preferred hospitality destinations, highlighting the team's unwavering commitment to service excellence, authentic experiences, and guest satisfaction.

Throughout the year, the hotel continued to invest in digital communication and customer engagement initiatives. Enhancements to the official website improved accessibility, user experience, and booking convenience, enabling guests to explore the property's offerings with greater ease. Digital marketing campaigns, including targeted email communications and promotional messaging, effectively supported revenue generation by increasing awareness of accommodation packages, dining experiences, and seasonal offers.

Social media remained a key pillar of the hotel's marketing strategy, providing a dynamic platform to showcase the property's heritage, events, culinary experiences, and unique hill country charm. Through engaging content and active audience interaction, The Grand Hotel successfully strengthened its online community and maintained meaningful connections with both existing and prospective guests.

The year also saw a growing emphasis on data-driven decision-making and personalized guest engagement. By closely monitoring online feedback and market trends, the hotel was able to respond proactively to guest expectations, further enhancing service delivery and maintaining high satisfaction levels.

Looking ahead, The Grand Hotel remains focused on embracing emerging digital trends and innovative marketing approaches. Future initiatives will concentrate on enriching online storytelling, expanding digital reach, enhancing personalized guest communications, and leveraging technology to create seamless and memorable customer journeys. These efforts will support the hotel's broader objective of strengthening brand equity, driving direct bookings, and maintaining its leadership position within Sri Lanka's luxury hospitality sector.

The continued success of the hotel's digital initiatives demonstrates its ability to adapt to evolving consumer behaviours while preserving the timeless hospitality and heritage that have defined The Grand Hotel for generations.

Food & Beverage Department Performance Review – FY 2025/2026

Key Achievements

Beverage Revenue Growth

- Beverage revenue increased by 7.7%, from LKR 254.1 Mn in FY 2024/25 to LKR 273.6 Mn in FY 2025/26.
- Growth was driven by expanded beverage and wine menus, targeted promotions, and increased focus on beverage sales.
- Strong growth in wine sales contributed significantly to overall revenue performance.

High Tea Performance

- High Tea covers increased to 30,898, compared to 29,089 in the previous year.
- The refurbishment and rebranding of the Tea Lounge as Grand Veranda enhanced guest experience and seating capacity.
- A record 4,850 covers were achieved in February 2026, reflecting the growing popularity of the offering.

À La Carte Revenue Growth

- À la carte revenue increased by LKR 20.4 Mn, reaching LKR 830.7 Mn in FY 2025/26.
- Menu enhancements, including the addition of selected Magnolia dishes and new beverage offerings, strengthened guest choice.
- Targeted food promotions supported customer engagement and repeat business.

Pulse Revenue Centre

- The Pulse Revenue Centre was launched in September 2025 to cater to social and corporate events.
- The venue expanded banquet capabilities and created new opportunities to attract emerging market segments.
- Despite challenging market conditions, Pulse established a strong foundation for future revenue growth.

Operational Challenges

Decline in À La Carte Covers

- Customer covers declined due to adverse weather conditions, transportation disruptions, and broader economic uncertainties.
- Reduced travel activity and consumer spending impacted customer footfall throughout the year.
- Upselling initiatives, enhanced product knowledge, and service excellence

Management Discussion and Analysis contd.

training helped offset the decline by increasing average guest spend.

Cost Control & Profitability

- Improved control over food and beverage costs resulted in better cost percentages and operational efficiency.
- Staff training initiatives contributed to reduced wastage, increased cost awareness, and stronger sales performance.
- Although occupancy levels and food revenue declined slightly, improved cost management and stronger beverage sales supported healthy profitability and improved gross profit margins.

Guest Satisfaction

- The department achieved its highest level of positive online guest feedback compared to the previous financial year.
- Continuous service improvements and operational enhancements strengthened overall guest satisfaction across F&B outlets.

Staff Development

- Employee training and development remained a key priority throughout the year.
- Training hours increased compared to FY 2024/25, supporting higher service standards, improved operational competencies, and enhanced employee engagement.
- The department maintained a strong focus on continuous learning and professional development.

Internal Initiatives Supporting Cost Control and Operational Performance

The Engineering Department continued to enhance operational efficiency through a range of in-house projects and innovative maintenance solutions, reducing reliance on external contractors while improving asset utilization and service standards.

Key achievements during FY 2025/26 included:

- Conversion of the Farm Engineering Store into Executive Accommodation entirely through in-house expertise.
- Repair of Combi Oven PCB cards and replacement of a freezer compressor by the Engineering Team, minimizing equipment downtime and ensuring uninterrupted operations.
- Replacement of pool glass roof rafters by the in-house team, enabling the project to be completed efficiently within a short timeframe.
- Design and fabrication of an electrical panel board for the new Training Centre and a container box moving deck using internal resources.
- Modification of the meat cold room system and implementation of an in-house defrosting mechanism, improving energy efficiency and equipment performance.
- Development and implementation of a compost chamber to support sustainable waste management practices.
- Construction of a rainwater collection and drainage improvement system to enhance water management and mitigate operational risks.

These initiatives reflect the team's commitment to innovation, resource optimization, sustainability, and continuous improvement, contributing significantly to the hotel's operational effectiveness and long-term asset management strategy.

Building Capability Through Learning and Development

During FY 2025/26, the hotel continued to invest in employee development through a comprehensive learning and development programme delivered through both internal expertise and external industry specialists.

Key focus areas included operational excellence, quality management, sustainability, health and safety, and employee wellbeing. Training initiatives covered ISO 9001 and ISO 22000 standards, departmental Standard Operating Procedures (SOPs), energy conservation, 5S workplace organization, product knowledge enhancement, sustainability awareness, and personal nutrition and wellness.

The hotel also strengthened its onboarding process through structured orientation programmes and cross-exposure training for newly recruited associates, enabling a broader understanding of hotel operations and service delivery standards. A comprehensive Training Needs Analysis was conducted to identify development opportunities and align learning interventions with organizational objectives.

Employee engagement and awareness programmes included International Women's Day initiatives, annual life-saving and CPR training for gym associates, and educational knowledge-sharing sessions. In addition, the hotel welcomed educational visits from external organizations, including Navy Petty Officers, fostering industry collaboration and knowledge exchange.

A notable learning initiative during the year was the **"Tree Tales" programme,** which highlighted the historical and environmental significance of the hotel's 150-year-old trees, reinforcing employee awareness of the property's rich heritage and commitment to sustainability.
These initiatives contributed to strengthening employee capabilities, promoting continuous learning, and supporting the hotel's commitment to service excellence, sustainability, and operational effectiveness.

Our Material Sustainability Issues

The Grand Hotel's Commitment to Sustainability

Grand Hotel Nuwara Eliya is committed to embedding Environmental, Social, and Governance (ESG) principles into its core operations and long-term strategy. The Hotel's ESG approach focuses on reducing environmental impact through energy efficiency, water conservation, and waste management; enhancing social value through employee development, community engagement, and responsible guest experiences; and strengthening governance through compliance, transparency, and ethical business practices.

These commitments are integrated across the Hotel's value chain, including procurement, operations, guest services, and stakeholder engagement, supporting sustainable tourism development in Sri Lanka's central highlands and aligning with SLFRS S1 & S2 sustainability disclosure requirements.

Environmental	Social	Governance
• Energy Efficiency & Climate Action: Commitment to reducing energy consumption across hotel operations through efficient systems and responsible resource use in a high-energy-demand, cool-climate environment. • Water Stewardship: responsible water uses through efficient consumption practices and management systems, considering seasonal variability in the Nuwara Eliya region. • Waste Reduction & Circular Economy: reducing waste generation through food waste management, recycling, segregation at source, and responsible disposal practices. • Biodiversity & Eco-Tourism Protection: preserving natural surroundings and promoting eco-tourism activities that highlight the biodiversity and landscape of Nuwara Eliya.	• Employee Development & Well-being: Commitment to building a skilled and motivated workforce through training, health and safety practices, and fair working conditions in all hotel departments. • Local Community Engagement: Commitment to supporting local livelihoods through employment opportunities and procurement from local farmers, suppliers, and service providers. • Guest Experience & Responsible Tourism: Commitment to delivering high-quality hospitality while encouraging responsible tourism practices among guests, including sustainability awareness. • Human Rights & Ethical Workplace Practices: Commitment to maintaining fair, inclusive, and ethical employment practices across all levels of the organization.	• Compliance & Regulatory Adherence: Commitment to full compliance with applicable tourism, environmental, labor, and safety regulations relevant to hotel operations in Sri Lanka. • Risk Management & Internal Controls: Commitment to identifying, assessing, and managing operational and sustainability-related risks, including climate-related risks affecting tourism operations. • Transparency & Sustainability Reporting: Commitment to improving ESG disclosures in line with SLFRS S1 & S2 requirements and enhancing data-driven sustainability reporting practices. • Ethical Business Conduct: Commitment to maintaining integrity in procurement, supplier relationships, and business operations through ethical and fair practices.

ISO 22000:2018 Renewal (2026-2029)

Travel Life Gold Certified for Accomodation Sustanability (2025-2027)

ISO 14001:2015 Surveillance (2025-2028)

ISO 9001:2015 Surveillance (2025-2028

ISO 9001:2015 Surveillance (2025-2028

18% Female Representation

100% food waste diverted from Landfill

62% Local Suppliers

12% reduction of Food waste in Staff Dine compared with 24/25

Winner of Silver Award at the Presidential Environment Awards 2025

63% solid waste diverted from landfill & sent for responsible recycling

Our Material Sustainability Issues contd.

Annual Community Cleanup Programs in Nuwara Eliya and Surrounding Areas as Part of Corporate Social Responsibility Initiatives

Strengthened Ecosystem Health & Biodiversity through Habitat Enhancement Project at Grand Farm

Food Waste Composting Initiative to Promote Sustainable Waste Management

Establishment of a Forest Trekking Experience at Grand Farm for Sustainable Eco-Tourism

Herbal and Medicinal Planting Program: Planting of Herbal and Medicinal Species Across Three Annual Campaigns

9% reduction in procurement of single use plastics

Sustainability Highlights in 25/26

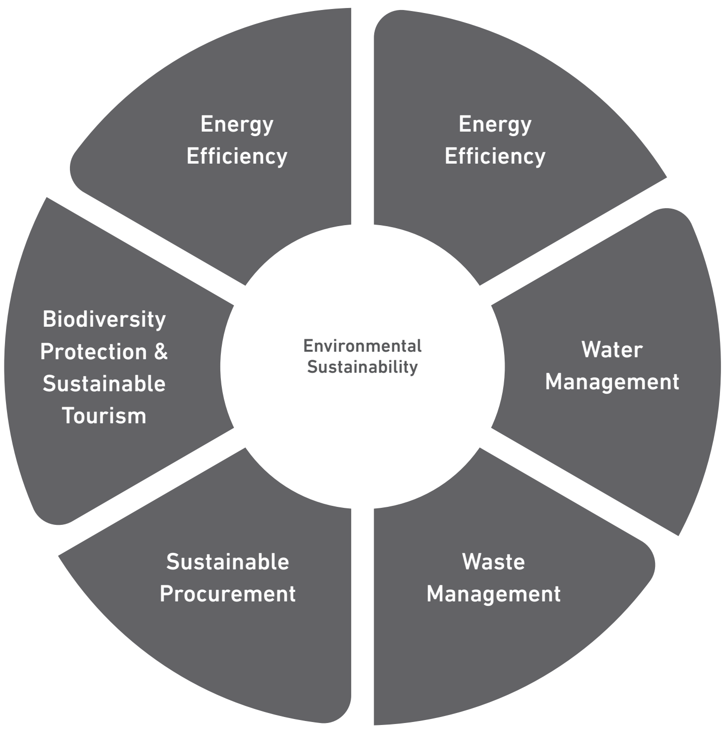
Our Material Sustainability Issues

Sustainability KPIs	Impact Level	Relevant GRI Topic	SASB Indicators
Energy Consumption per guest Night Reduce unit-wise energy consumption to align with Sustainability Goals	Very High	GRI 302: Energy	SV-HL-130a.1
Water Consumption per Guest Night Minimize water withdrawal while promoting sustainable water management	Very High	GRI 303: Water & Effluents	SV-HL-140a.1
Solid Waste Generation per Guest Night Maintain effective recycling programs	Very High	GRI 306: Effluents and Waste	
GHG Emissions Minimize our GHG Emissions	High	GRI 305: Emissions	
Sustainable Procurement & Supplier Assessment Minimizing Environmental & Social Impacts	Medium	GRI 204: Procurement Practices GRI 308: Supplier Environmental Assessment GRI 414 Supplier Social Assessment	
Biodiversity & Sustainable Tourism Conservation & Promoting of Eco-tourism	High	GRI 101: Biodiversity	SV-HL-160a.1 SV-HL-160a.2
Occupational Health & Safety Ensure Safe working Environment for Staff	Very High	GRI 403: Occupational Health and Safety	
Guest Health & Safety Prioritize guest wellbeing through the robust health and safety protocols.	Very High	GRI 416: Customer health and safety	
Food Safety & Quality Ensure High standards of Food Safety & Quality	High	GRI 416: Customer Health and Safety	
Guest Data Protection & Regulation Policy Safeguard guest data through stringent privacy, security, and regulatory compliance practices.	Very High	GRI 418: Customer Privacy	

Sustainability KPIs	Impact Level	Relevant GRI Topic	SASB Indicators
Human Rights Foster a respectful and inclusive workplace that safeguards employee rights and dignity.	High	GRI 406: Non-Discrimination	SV-HL-310a.1 SV-HL-310a.2 SV-HL-310a.3 SV-HL-310a.4
Community Engagement Strengthen community ties by supporting local development and empowerment initiatives.	Medium	GRI 413: Local Communities	

Our Commitment to Environmental Sustainability

Environmental sustainability remains a core element of The Grand Hotel's business strategy and operations. We are committed to minimizing our environmental impact through responsible resource management, biodiversity conservation, waste reduction, and climate-conscious practices. By continuously improving our environmental performance and promoting sustainable initiatives across our operations, we strive to preserve natural ecosystems, protect natural resources, and create long-term value for our stakeholders and the communities in which we operate.



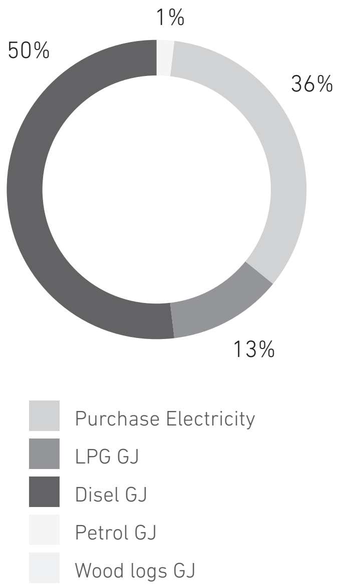
Our Commitment to Energy Efficiency

- Encouraging responsible energy use among staff through awareness programs and training.
- Conitnous montioring
- analyzing energy consumption data to identify opportunities for reduction and improvement.
- Integrating energy efficiency considerations into renovation, refurbishment, and procurement decisions.
- Reducing peak energy demand through operational planning and load management practices.
- Promoting the use of energy-efficient equipment and appliances in all departments.
- Adherence to switch off policy & promote the use of energy efficient equipment & lighting systems throughout guest areas and back-of-house operations.

Our Material Sustainability Issues contd.

Indicator	Units	2025/26	2024/25	Annual % Change
Guest Nights	Nos	49,762	55,134	[10%]
Purchased Electricity	GJ	5004.7	4745.5	5%
LPG	GJ	1800.1	1989.0	[9%]
Diesel	GJ	6801.4	7657.6	[11%]
Petrol	GJ	14.6	16.5	[12%]
Wood logs	GJ	176.0	270.3	[35%]
Energy Intensity	GJ/GN	0.28	0.27	4%

2025/26 Energy Mix



During the reporting period, Grand Hotel remained committed to responsible water stewardship by implementing conservation measures, monitoring water consumption, maintaining efficient infrastructure, and promoting awareness among guests and employees. These efforts contributed to reducing water usage and supporting the sustainable management of this valuable natural resource.

Our Commitment to Water Management

- Monitored and managed water consumption across all hotel operations to promote responsible water use.
- Conducted regular inspections and maintenance to identify and repair leaks promptly.
- Implemented water-saving fixtures and technologies, including low-flow taps, showerheads, and dual-flush systems where applicable.
- Encouraged guests and employees to participate in water conservation initiatives through awareness programs and signage.
- Optimized housekeeping and laundry operations to improve water efficiency without compromising service quality.
- Promoted responsible landscaping practices by minimizing water use
- Assessed opportunities for water reuse and recycling initiatives
- Continuously reviewed water management practices to reduce consumption and support long-term sustainability goals.
- Ensured compliance with applicable water management regulations and environmental standards.

Indicator	Units	2025/26	2024/25	Annual % Change
Guest Nights	Nos	49,762	55,134	[10%]
Mains water	m3	17,038.00	23,649.00	[28%]
Mains Water	tCO_2e	0.27	0.35	[23%]
Ave. consumption per guest night	m^3	0.34	0.43	[21%]
Total Water Emissions	tCO_2e	0.27	0.35	[23%]
Water Intensity	m^3/GN	0.34	0.43	[20%]

Wastewater management

Grand Hotel is committed to responsible wastewater management through the effective operation of its wastewater treatment facility. During the reporting period, treated wastewater was successfully reclaimed for garden irrigation, contributing to water conservation efforts. The hotel-maintained compliance with all wastewater quality standards stipulated by the Central Environmental Authority, with regular verification of BOD, COD, pH, and Total Suspended Solids levels. The treatment system consistently achieved low BOD and COD concentrations, while sludge recirculation practices were implemented to prevent accumulation and ensure optimal treatment efficiency.

Average Annual Reuse of Treated Wastewater for Garden Maintenance (m^3)

Indicator	Value
STP output at 100% occupancy	45 m^3/day
Average reclaimed water generated (depend on the occupancy)	24 m^3/day
Average annual reclaimed water used for gardening	8,700 m^3/year

Our Commitment to Waste Management

- 16.9% reduction in Plastic water bottle usage by replacing bottles at restaurants to Glass water bottles
- 12% reduction in food waste in the staff dine
- Food Waste Composting Initiative started in November 2025 & 100% Divert from Landfill
- 63% solid waste diverted from landfill & sent for responsible recycling
  - Promote segregation of waste at source into recyclable, organic, and non-recyclable categories.
  - Maintain a structured waste management system & 12R concept to minimize environmental impact from hotel operations.
  - Prioritize waste reduction at source through efficient purchasing, storage, and operational practices.
  - Maximize recycling opportunities by partnering with authorized waste collectors and recycling vendors.
  - Compost organic waste & food waste to support sustainable landscaping and garden maintenance.
  - Reduce single-use plastics and encourage the use of eco-friendly and reusable alternatives.
  - Train and engage staff in responsible waste handling and segregation practices.
  - Encourage guest participation in waste reduction and responsible disposal practices.
  - Ensure safe and compliant disposal of all non-recyclable waste in accordance with local environmental regulations.
  - Continuously monitor waste generation and improve practices to reduce overall landfill contribution.
  - Comply with applicable waste management guidelines issued by regulatory authorities, including the Central Environmental Authority.
  - Strive for continuous improvement in waste minimization, recycling efficiency, and sustainable resource use across all hotel operations.

Indicator	Units	2025/26	2024/25	Annual % Change
Guest Nights	Nos	49,762	55,134	[10%]
Composted	tCO_2e	16.70	16.39	2%
Landfill	tCO_2e	9.59	10.49	[9%]
Recycled Waste Emissions	tCO_2e	0.1	0.14	[29%]
General construction waste	tCO_2e	0.009	0.30	[97%]
Total Solid Waste emissions	tCO_2e	26.39	27.33	[3%]

Food waste composter at our own grounds

Our Commitment to Sustainable Procurement

- 62% Local Products
- 1.5%reduction in intensity of Single Use Plastic item purchase
  - Preference for local suppliers to support Sri Lankan farmers, producers, and small businesses
  - Prioritization of locally grown and seasonal produce to reduce transport emissions and environmental impact
  - Supllier Evaluation & Selection of suppliers with sustainable and ethical practices
  - Ongoing efforts are made to reduce packaging waste and single-use plastics in purchased goods and materials
  - Adoption of eco-friendly cleaning agents and operational supplies where feasible to minimize environmental impact
  - Investment in energy-efficient, durable, and high-quality equipment to reduce resource consumption and lifecycle waste
  - Continuous engagement with suppliers to encourage sustainable sourcing and improved environmental performance across the supply chain

Indicator	Units	2025/26	2024/25	Annual % Change
Guest Nights	Nos	49,762	55,134	[10%]
Environmentally hazardous substances (l)	Liters	9625.93	9194.35	5%
Intensity	L/GN	0.19	0.17	11%
Environmentally hazardous substances (kg)	kg	900.29	1818.59	[50%]
Intensity	Kg/GN	0.02	0.03	[33%]
Single Use Plastics items purchased	Nos	170,334.00	186,384	[9%]
Intensity	No/GN	3.43	3.38	[1.5%]

Our Material Sustainability Issues contd.

OUR CARBON FOOT PRINT

The Grand Hotel Nuwara Eliya reports its greenhouse gas (GHG) emissions with currently calculated internally, based on available operational data and standard emission factors. This approach supports the systematic identification, quantification, and management of the hotel's carbon footprint across its operations and value chain. A GHG emissions are calculated and reviewed to identify and track emissions across the three standard scopes:

The hotel is working toward improving data accuracy, expanding supplier engagement, and strengthening emissions tracking systems. In particular, Scope 3 data coverage is being enhanced, with ongoing improvements focused on employee commuting, business travel, upstream transportation and distribution of purchased products, and third-party outsourced services, which are not included in the current reporting boundary. We will be fully compliant in scope 3 in the financial year 2027/28. These enhancements will support more complete future disclosure and long-term decarbonization planning.

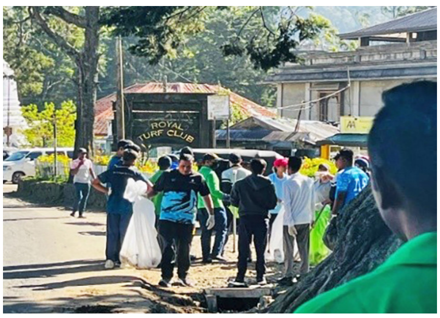
Scope 1	• Fuel combustion in on-site boilers and generators • Fuel used in company-owned or controlled vehicles • Emission from Lawn movers • Refrigerant leakage from cooling and refrigeration systems • Combustion of wood logs in the fire places
Scope 2	• Purchased electricity consumed across hotel operations

Scope	Units	2025/26	2024/25	Annual % Change
Guest Nights	Nos	49,762	55,134	[10%]
Scope 1	tCO2e	632.45	658.96	[4%]
Scope 2	tCO2e	964.25	1,606.12	[40%]
Total Emissions	tCO2e	1,596.70	2,265.08	[30%]
Emission Intensity	kgCO2e/GN	32.12	41.08	[22%]

Sustainability, Quality, and Compliance Achievements

The Grand Hotel Nuwara Eliya has continued to demonstrate strong performance in sustainability, quality management, food safety, and environmental responsibility through the attainment of internationally recognized certifications and national-level recognition. These achievements reflect the hotel's ongoing commitment to continuous improvement, compliance with global standards, and the integration of responsible practices across all operational areas.

- Winner of Silver Award from the Presidential Environment Awards 2025
- Travelife Gold Certified for Accommodation Sustainability (2025-2027)
- ISO 22000:2018 – Food Safety Management System Certified (2026-2029)
- ISO 14001:2015- Environmental Management System Certified (2025-2028)
- ISO 9001:2015 – Quality Management System Certified (2025-2028)




(Staff at Community-Based Environmental Clean-Up Programs)

Board of Directors

J H P Ratnayeke - Chairman
Non-Executive Director

Mr. Paul Ratnayeke was appointed to the Board on 1st June 2005 and assumed the role of Chairman of the Company on 6th February 2019. He is the Senior Partner and Founder of Paul Ratnayeke Associates. Mr. Ratnayeke holds an Honours degree from the University of Ceylon (Colombo) and an LLM from the University of London. He is an Attorney-at-Law of the Supreme Court of Sri Lanka and a Solicitor of the Supreme Court of England and Wales.

Mr. Ratnayeke currently serves on the Boards of the following companies.

Name of Company	Position Held	Executive/Non-Executive
PR Secretarial Services (Pvt) Ltd	Chairman	Non-Executive
PR Intellectual Property Services (Pvt) Ltd	Chairman	Non-Executive
PR Corporate Services (Pvt) Ltd	Chairman	Non-Executive
PR Business Services (Pvt) Ltd	Chairman	Non-Executive
Nature Holdings Ltd	Chairman	Non-Executive
Rose Hill Hotel (Pvt) Ltd	Chairman	Non-Executive
Allied Export and Import Agencies (Pvt) Ltd	Alternate Director	Non-Executive
Colombo Agencies Limited	Chairman	Non-Executive
Jims Farm (Private) Ltd	Alternate Director	Non-Executive
Paul Ratnayeke Associates	Senior Partner	
The Tea & Herb Company Ltd	Director	Non-Executive

G G Ondaatjie - Deputy Chairman
Non Executive Director

Mr. Gerard Ondaatjie was appointed to the Board on 25th November 1996 and assumed the position of Deputy Chairman on 2nd July 2018. He has over 30 years of experience in the tourism, financial services, and trading sectors. He holds a BSc in Accountancy from Arizona State University, USA. He is a former Member of the Commission on the Simplification of Existing Laws and Regulations in the Interest of the People and a former Member of the Colombo Port City Economic Commission. He currently serves as a member of the Sri Lanka Tourism Advisory Committee.

Mr. Ondaatjie currently serves on the Boards of the following companies.

Name of the Company	Position held	Executive/Non Executive
Mercantile Investments and Finance PLC	Managing Director	Executive
Tangerine Beach Hotels PLC	Director	Non-Executive
Royal Palms Beach Hotels PLC	Director	Non-Executive
Nilaveli Beach Hotels (Pvt) Limited	Director	Non-Executive
Tangerine Tours (Pvt) Limited	Director	Non-Executive
Security Ceylon (Pvt) Limited	Chairman	Non-Executive
Mercantile Fortunes (Pvt) Limited	Chairman	Non-Executive
Global Films Limited	Chairman	Non-Executive
Mercantile Orient (Pvt) Limited	Chairman	Non-Executive
International Fortunes (Pvt) Limited	Chairman	Non-Executive
Fair View Hotel (Pvt) Limited	Chairman	Non-Executive
Nilaveli Hotels (Pvt) Limited	Director	Non-Executive
Mercantile Fortunes Insurance Brokers (Pvt) Limited	Chairman	Non-Executive
Tangerine Vacations (Pvt) Ltd	Director	Non-Executive

Board of Directors contd.

A M Ondaatjie
Non Executive Director

Ms. Angeline Ondaatjie was appointed to the Board on 17th October 2000. She has over 30 years of experience in the tourism, financial services, and manufacturing sectors. She holds a Master's degree from the University of Texas at Austin, USA, and a BSc degree from the Massachusetts Institute of Technology (MIT), USA. She is a former Director of the Sri Lanka Tourism Promotion Bureau and a former Vice President of the Tourist Hotels Association. She currently serves as a Safety Advisor to Princeton in Asia, a member of the Education Council of MIT, and a Trustee of the Lionel Wendt Memorial Fund.

Ms. Ondaatjie currently serves on the Boards of the following companies.

Name of the Company	Position held	Executive/Non-Executive
Mercantile Investments and Finance PLC	Director	Executive
Mercantile Fortunes (Pvt) Limited	Director	Non-Executive
Nilaveli Beach Hotels (Pvt) Limited	Director	Non-Executive
Tangerine Beach Hotels PLC	Chairperson	Non-Executive
Royal Palms Beach Hotels PLC	Chairperson	Non-Executive
Tangerine Tours (Pvt) Limited	Chairperson	Non-Executive
Security Ceylon (Pvt) Limited	Director	Non-Executive
Global Films Limited	Director	Non-Executive
International Fortunes (Pvt) Limited	Director	Non-Executive
Mercantile Orient (Pvt) Limited	Director	Non-Executive
Fair View Hotel (Pvt) Limited	Director	Non-Executive
Nilaveli Hotels (Pvt) Limited	Director	Non-Executive
Mercantile Fortunes Insurance Brokers (Pvt) Ltd	Director	Non-Executive
The Light House Hotel PLC	Director	Non-Executive
Phoenix Industries Limited	Director	Non-Executive
Brushco (Pvt) Ltd	Director	Non-Executive
Tangerine Vacations (Pvt) Ltd	Chairperson	Non-Executive

T J Ondaatjie
Non-Executive Director

Mr. Travice Ondaatjie was appointed to the Board on 17th October 2000. He has over 25 years of experience in the tourism and financial services sectors. He holds a BSc degree from Arizona State University, USA.

Mr. Travice Ondaatjie currently serves on the Boards of the following companies.

Name of Company	Position held	Executive/ Non-executive
Mercantile Investments and Finance PLC	Director	Executive
Tangerine Beach Hotels PLC	Director	Non-Executive
Royal Palms Beach Hotels PLC	Director	Non-Executive
Nilaveli Beach Hotels (Pvt) Limited	Chairman	Non-Executive
Tangerine Tours (Pvt) Limited	Director	Non-Executive
Security Ceylon (Pvt) Limited	Director	Non-Executive
Mercantile Fortunes (Pvt) Ltd	Director	Non-Executive
Global Films Limited	Director	Non-Executive
Mercantile Orient (Pvt) Limited	Director	Non-Executive
International Fortunes (Pvt) Limited	Director	Non-Executive
Fair View Hotel (Pvt) Limited	Director	Non-Executive
Nilaveli Hotels (Pvt) Limited	Chairman	Non-Executive
Mercantile Fortunes Insurance Brokers (Pvt)Ltd	Director	Non-Executive
Tangerine Vacations (Pvt)Ltd	Director	Non-Executive

M K K K B Galagoda
Non Executive Director

Mr. Manil Galagoda was appointed to the Board on 8th April 2013 and currently serves as the Group Engineer of the Mercantile Investments Group of Companies. He has over 30 years of experience in the hotel industry, both in Sri Lanka and overseas, including with the Ramada Group of Hotels and the Holiday Inn Group. He holds a Diploma in Electrical and Electronics Engineering from the University of Katubedda, Moratuwa.

Mr. Galagoda currently serves on the Boards of the following companies.

Name of Company	Positon Held	Executive/Non Executive
Nilaveli Beach Hotels (Pvt) Ltd	Director	Non-Executive
Fair View Hotel (Pvt) Ltd	Director	Non-Executive

Chevalier S K Abeysundara KStG
Non-Executive Director

Surendra Kumar Abeysundara (commonly known as Sahran Abeysundara) was appointed to the Board on 8 April 2013. Born in Sri Lanka in April 1974, he is a British national and a designer with an international portfolio.

Sahran is a seasoned interior designer and entrepreneur. He previously worked as Lead Designer for an Italian design house in Dubai, before co-founding Taru IE in Sri Lanka. He later established Design Guru London, where he currently leads in events and interior design. He also formerly directed Pride London Productions and the Pride Arts Festival, reflecting a dynamic combination of creative vision and organisational leadership.

After relocating to Haslemere, Sahran was elected to the Haslemere Town Council in 2015, serving first as Deputy Mayor and then as the town's 43rd Mayor in 2016. His mayoral year was marked by successful fundraising for four charities: Positive Action, Action Medical Research, the Kaleidoscope Trust, and the Haslemere Penny Ha'Penny Trust. He played a key role in enhancing civic engagement, and was invited to the House of Commons by the Kaleidoscope Trust in recognition of his advocacy for LGBT+ rights.

In June 2019, Sahran was appointed a Knight of the Order of St. George at Rochester Cathedral, in recognition of his continued community service.

He remains an active member of the Haslemere community and has previously served on the Executive Committee of the Haslemere and District Chamber of Trade & Commerce. Sahran continues to lead Design Guru London and provides strategic oversight across several boards.

He currently serves on the Boards of the following companies.

Name of Company	Positon Held	Executive/Non Executive
Fair View Hotel (Pvt) Ltd	Director	Non-Executive

Board of Directors contd.

G H R Fernando
Executive Director

Mr. Ravindra Fernando was appointed to the Board on 26th October 2022. He has over 35 years of experience in the hotel industry. He is an Associate Member of the Association of Financial Accountants (AFA), UK, and a Fellow Member of the Association of Accounting Technicians of Sri Lanka (FMAAT). He is also a Member of the Chartered Securities Institute (UK) (MCSI), a Certified Business Accountant (CBA) of CA Sri Lanka, and an Associate Member of the Chartered Management Institute (CMI), UK.

Mr. Fernando holds a Master of Business Administration (MBA) from the University of Lincoln, UK, and a Master of Applied Finance (M.Sc.) from the University of Sri Jayewardenepura.

He currently serves on the Boards of the following companies.

Name of Company	Position held	Executive/Non Executive
Security Ceylon (Pvt) Ltd	Director	Executive
Fair View Hotel (Pvt) Ltd	Director	Executive

S M S S Bandara
Independent Non-Executive Director

Mr. Sanjaya Bandara was appointed to the Board on 1st October 2024. He is a Fellow Member of both the Institute of Chartered Accountants of Sri Lanka and the Institute of Certified Management Accountants of Sri Lanka.

Since 2004, Mr. Bandara has served as a Partner at B R De Silva & Co., Chartered Accountants. He was the President of the Institute of Chartered Accountants of Sri Lanka for the 2022/2023 term. He has also served as an Independent Non-Executive Director and Chairman of Mercantile Investments and Finance PLC.

Mr. Bandara holds a Bachelor of Science in Accountancy from the University of Sri Jayewardenepura and a Master of Business Administration from the University of Colombo.

He currently serves on the Boards of the following companies:

Name of Company	Position held	Executive/Non Executive
Prime Lands Residencies PLC	Director	Non-Executive
Agalawatte Plantations PLC	Director	Non-Executive
People's Bank	Director	Non-Executive

H M S Herath
Independent Non-Executive Director

Ms. Samanmalie Herath was appointed to the Board on 14 March 2025. She is a seasoned finance professional with over a decade of experience in financial analysis, investment research, and business valuations.

She currently serves as an Assistant Director at Acuity Knowledge Partners, Colombo, where she leads an offshore team supporting the equity research operations of a U.S.-based global hedge fund. Prior to this, Ms. Herath was with Asia Capital, where she gained significant experience in investment banking, specializing in financial modelling, business valuations, and advisory services for large-scale investment projects.

Ms. Herath is a Chartered Financial Analyst (CFA) charterholder, accredited by the CFA Institute, USA, and actively contributes to CFA Society initiatives promoting the investment profession in Sri Lanka. She also holds a Master of Business Administration (MBA) from the University of West London, UK. In addition, she has completed the examinations of the Chartered Institute of Management Accountants (CIMA), UK, and led the winning team in the 2014 CIMA Global Business Challenge. She holds a Bachelor of Business Administration (BBA) in Finance from the University of Colombo, where she was honoured as the Student of the Year for the graduating class of 2014.

Aasiri Iddamalgoda
Independent Non-Executive Director

Mr. Aasiri Iddamalgoda was appointed to the Board on 28th March 2025.

With over 25 years of experience in the banking industry, Mr. Iddamalgoda has held progressively senior leadership roles. He brings extensive expertise in financial regulations, risk management, and compliance practices. Throughout his career, he has consistently demonstrated a strong ability to develop and execute effective business strategies aligned with the bank's vision and mission. Mr. Iddamalgoda is widely recognized for his talent in building high-performing teams, fostering a collaborative culture, and inspiring others to achieve sustainable and exceptional results.

Prior to this, Mr. Iddamalgoda held several senior roles at HSBC, including Head of Products, Cards and Services Retail Banking, Head of Premier & Wealth Management (Private Banking), and Relationship Manager in Corporate Banking.

Mr. Iddamalgoda currently serves as a member of the Sri Lanka Tennis Selection Committee.

He holds a Bachelor of Science degree and a Master of Business Administration (MBA) from Jacksonville State University, Alabama, USA.

Corporate Management

Nazeem Mohamed
Resident Manager

Joined Date
10th April 2004

Qualifications
- MBA-Tourism and Hotel Management, CBA, AMA

Experience
A seasoned hospitality professional with over 28 years of experience, including 25 years in the hospitality industry, Mr. Mohamed brings extensive financial expertise and operational leadership to his role as Resident Manager. Having previously served as Financial Controller, he successfully transitioned into hotel operations, demonstrating exceptional versatility and a well-rounded understanding of the hospitality business.

Equipped with professional qualifications from recognized accounting bodies and an MBA specializing in Hospitality Management, he combines strategic insight with sound commercial and operational expertise. His broad industry experience and commitment to excellence continue to strengthen operational performance, enhance guest satisfaction, and support the hotel's sustainable growth and long-term success.

Kumara Karunarathna
Chief Financial Officer

Joined Date
13th January 2023

Qualifications
FCA (SL), ACCA (UK), MBA (UK), BBA Finance special (COL), SAT (SL)

Experience
Mr. Karunaratne is a dual-qualified Chartered Accountant, holding Fellow memberships of the Institute of Chartered Accountants of Sri Lanka (FCA) and Associate memberships from Association of Chartered Certified Accountants (ACCA–UK). He holds a Master of Business Administration (MBA–UK) and a Bachelor's Degree in Business Administration (Finance Special) from the University of Colombo.

With over 17 years of professional experience, he has built a distinguished career across the leisure, manufacturing, retail, trading, and audit sectors. He began his career with Deloitte Touche Tohmatsu and has since held senior finance positions within several leading corporate organizations, including John Keells Holdings PLC, where he gained extensive expertise in financial management, business partnering, and corporate governance.

Having transitioned into the hospitality industry, Mr. Karunaratne provides strategic financial leadership, overseeing financial planning, performance management, regulatory compliance, and value creation initiatives. Complementing his corporate career, he has served as a registered lecturer at CA Sri Lanka for more than a decade, reflecting his enduring commitment to developing future finance professionals and advancing the accounting profession.

Corporate Governance

Introduction

Corporate Governance remains a fundamental pillar of responsible leadership, accountability and sustainable value creation at The Nuwara Eliya Hotels Company PLC.

The Board of Directors is committed to maintaining high standards of governance through transparent decision-making, ethical business practices, effective oversight and compliance with applicable laws and regulations. Our governance approach is built around the principles of accountability, transparency, integrity, and inclusivity, and is fully embedded into our decision-making structures, policies, and operational controls

During the financial year 2025/26, the Company continued to strengthen its governance practices by aligning its policies and processes with the applicable provisions of the Companies Act No. 07 of 2007, the Listing Rules of the Colombo Stock Exchange, the Securities and Exchange Commission Act and the Code of Best Practice on Corporate Governance issued by CA Sri Lanka (2023).

The Company's governance framework is designed to support long-term strategic direction, safeguard stakeholder interests and ensure responsible corporate conduct throughout the organization by incorporating Environmental, Social and Governance (ESG) objectives, technology governance and a proactive stakeholder engagement strategy.

Key Features of Our Corporate Governance Framework

The Board provides guidance and oversight to ensure that the Company's strategy, operations and governance practices remain aligned with shareholder expectations and regulatory requirements.

Core features include:

- **Board Leadership & Strategic Oversight**
  - The Board provides independent oversight, strategic direction, and ensures executive accountability.
  - Clear division of responsibilities between the Chairperson, CEO, and Committees.
- **Transparent Reporting Integrity & Accountability**
  - Robust reporting practices ensure accurate, timely, and complete disclosure to shareholders and regulators.
  - Publication of key governance policies (Board Charter, Whistleblower, Ethics, Risk, Sustainability) on the corporate website.
- **Stakeholder-Centric Governance**
  - Regular engagement with shareholders, employees, regulators, suppliers, and the community.
  - Dedicated grievance and feedback mechanisms.
- **Compliance & Legal Conformity**
  - Complied with applicable requirements
    - Companies Act No. 07 of 2007
    - SEC Act No. 19 of 2021
    - CSE Listing Rules (including updated 2023 rulings)
  - CA Sri Lanka Code of Best Practices (2023)
  - Governance policies updated to reflect emerging legislative changes.
- **Ethics and Culture**
  - Organization-wide emphasis on ethical behavior, code of conduct adherence, and anti-bribery practices.
  - Periodic ethics training for senior leadership and key departments.

Risk Management & Controls

- Active oversight of enterprise risks through risk registers, audit trails, and early-warning systems.
- Internal Audit function supports preventive internal control mechanisms.

ESG Integration

- ESG objectives embedded in long-term strategy, board review processes, and annual planning.
- Commitment to sustainable operations, energy efficiency, waste reduction, and community engagement.

Technology Governance

- Oversight of digital infrastructure, cybersecurity, data privacy, and automation within financial and operational systems.

Governance Framework and Leadership

The Board of Directors serves as the highest governance authority of the Company and is responsible for providing strategic leadership, monitoring performance and ensuring effective risk management and internal control mechanisms while ensuring compliance and ethical conduct.

The governance structure provides clear accountability between the Board, Board Committees and executive management while enabling informed decision-making and effective oversight.

Corporate Governance contd.

The governance framework includes:

Governance Pillar	Focus Areas
Board of Directors	Strategic direction, performance oversight, and risk governance
Audit Committee	Financial reporting, internal controls, external audit independence
Remuneration Committee	Executive remuneration, incentive plans, and performance management
Nomination & Governance committee	Board composition, director evaluations, succession planning
RPTR Committee	Review and approval of all Related Party Transactions
Internal Audit & Risk	Monitoring risk registers, control audits, whistleblowing investigations
Company Secretary	Ensuring regulatory compliance and Board process integrity

The Board also conducts an annual self-evaluation and performance review of each committee to identify areas for improvement and alignment with emerging governance trends.

Alignment with newly introduced Governance compliance & Standards

The Nuwara Eliya Hotels Company PLC have remained adopted the following governance enhancements introduced by CA Sri Lanka and CSE:

- **Fit and Proper Assessments:** Annual declarations by Directors and CEO confirming independence, capability, and ethical conduct.
- **Diversity and Inclusion Policy:** Adopted to ensure gender, age, industry, and skill diversity within the Board.
- **Director Tenure and Independence Reviews:** Compliance with tenure limits and independence evaluations.
- **Disclosure Enhancements:**
  - Attendance at Board/Committee meetings
  - Director competencies and qualifications
  - Summary of stakeholder engagements
  - RPT details and justification for approvals
- **Whistleblower and Ethics Policy:** Updated to align with SEC and CSE guidelines, with mechanisms for confidential reporting.
- **Non-Compliance Protocols:** Reporting to the market in case of any breach or deviation from listing rules.

The Company complies with the Companies Act No. 7 of 2007, as amended, including the applicable provisions introduced by the Companies (Amendment) Act No. 12 of 2025.

Standard / Principle / Code	Adherence
The Companies Act No.7 of 2007 (Companies Act)	Mandatory provisions - Compliant
Listing Rules of the Colombo Stock Exchange (CSE), including circulars	Fully Complied with the applicable requirements
Securities and Exchange Commission of Sri Lanka (SEC) Act No. 19 of 2021, including rules, regulations, directives and circulars	Fully Complied with the applicable requirements
Code of Best Practices on Related Party Transactions (2013) advocated by the SEC	Fully Complied with the applicable requirements
International Integrated Reporting Framework published by the International Integrated Reporting Council (IIRC)	Fully Complied with the applicable requirements
Global Reporting Initiative Standards	Fully Complied with the applicable requirements
Articles of Association	Fully Complied with the applicable requirements
Internal Policies	Fully Complied
Internal mechanisms	Fully Complied

Note:

In line with the revised **Colombo Stock Exchange Listing Rules (effective from October 2023)** and the **Code of Best Practice on Corporate Governance (2023)** issued by **CA Sri Lanka,** the Company has adopted all mandatory governance provisions applicable to listed entities.

These include key requirements related to **Board composition, independence, policy disclosures, whistleblowing, Board evaluation, and related party transactions**

The Company is fully compliant with the updated governance framework, and any deviations (if applicable) are duly explained in this report in line with the “comply or explain” approach mandated by the CSE.

Committees

COMMITTEE	RESPONSIBILITIES
Audit Committee	• Oversee the Entity's compliance with financial reporting requirements, information requirements under these Rules, the Companies Act, and the SEC Act, and other relevant financial reporting-related regulations and requirements. • Review the quarterly results and year-end financial statements of the Entity prior to tabling for the approval of the Board of Directors. • Oversee the internal and external audit processes, including the appointment, re-appointment, and removal of external auditors. • Monitor internal financial controls and risk management systems. • Obtain and review assurance received from the CEO and CFO on the financial records and the adequacy of risk management and internal control systems. • Ensure the independence of auditors and review non-audit services provided by the external auditor.
Remuneration Committee	• Recommend the remuneration payable to the Executive Directors and CEO of the Listed Entity to the Board for final determination. • Set remuneration policy for Directors, ensuring a formal and transparent procedure for developing policy on Executive Directors' remuneration and fixing remuneration packages. • Approve annual performance objectives and the granting of long-term incentives. • Engage external consultants to assess the relevance of remuneration levels applicable to Directors and the CEO.
Nomination Committee	• Review and recommend the structure, size, and composition of the Board and Board Committees. • Evaluate and recommend the appointment of Directors to the Board of Directors and Board Committees. • Establish and maintain a formal and transparent procedure for the selection and appointment of Directors. • Develop and implement a policy on Board diversity, including experience, skills, age, gender, and industry requirements. • Develop succession plans for the Board of Directors and Key Management Personnel. • Ensure Directors are fit and proper persons as per the Fit and Proper Assessment Criteria. • Oversee compliance with corporate governance requirements and policies.
Related Party Transactions Review Committee	• Review Related Party Transactions (RPT) of the Company to ensure compliance with relevant rules and regulations. • Monitor and ensure that all RPT are conducted in the best interest of the Company and its shareholders. • Review and recommend policies and procedures for RPT to the Board. • Ensure the Entity's compliance with the SEC Act, Listing Rules of the Exchange, and other applicable laws regarding RPT.

Corporate Governance at a Glance

Rule: CA Code on Corporate Governance (2023) / CSE listing Rule Section 9 (9.7 – 9.10)
Requirement: Clear identification of each Director's status (Executive/Non-Executive, Independent/Non-Independent)
Disclosure:
The Board of Directors of Nuwara Eliya Hotels Company PLC comprises a balanced mix of Executive and Non-Executive Directors with a sufficient number of Independent Non-Executive Directors, ensuring compliance with both the Code of Best Practice and the CSE Listing Rules.

The independence of Directors is determined in accordance with the criteria set out in the CSE Listing Rules and the CA Code, including tenure, financial/material relationships, employment history, and cross-directorships.

Corporate Governance contd.

The following table summarizes the independence status of each Director:

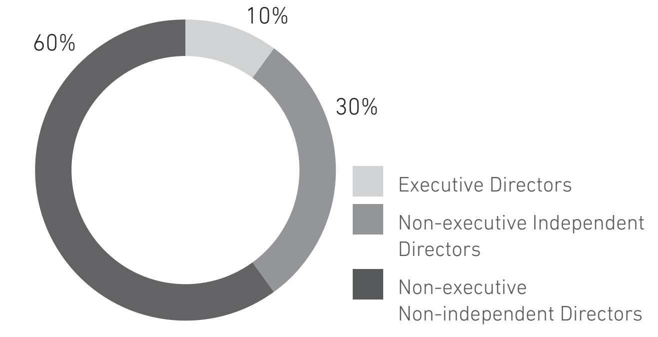
Name of Director	Designation	Executive/ Non Executive	Independent
Mr.J H P Ratnayeke	Chairman	Non-executive	No
Mr.G G Ondaatjie	Deputy chairman	Non-executive	No
Ms.A M Ondaatjie	Director	Non-executive	No
Mr.T J Ondaatjie	Director	Non-executive	No
Mr.M K K K B Galagoda	Director	Non-executive	No
Mr.S K Abeysundara	Director	Non-executive	No
Mr. G H R Fernando	Director	Executive	No
Mr. S M S S Bandara	Director	Non-executive	Yes
Ms. H M S Herath	Director	Non-executive	Yes
Mr. A M Iddamalgoda	Director	Non-executive	Yes

Composition of the Board

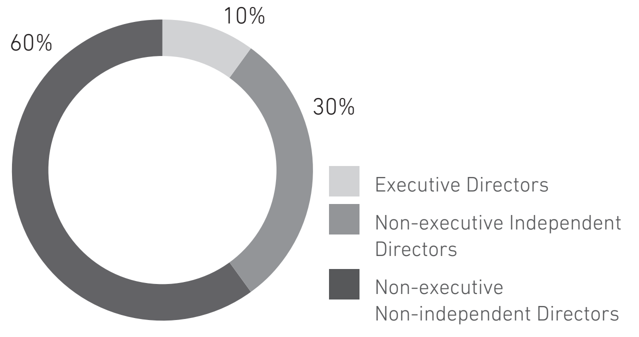
Rule: 9.8.1 and 9.8.2

Requirement: Minimum of five (05) directors, at least two (02) Independent Directors or one-third (1/3) of the total number of Directors, whichever is higher.

Composition of the Board 2025/26



Composition of the Board 2024/25



Description	2025/26		2024/25	
Executive Directors	1	10.00%	1	10.00%
Non-executive Independent Directors	3	30.00%	3	30.00%
Non-executive Non-independent Directors	6	60.00%	6	60.00%

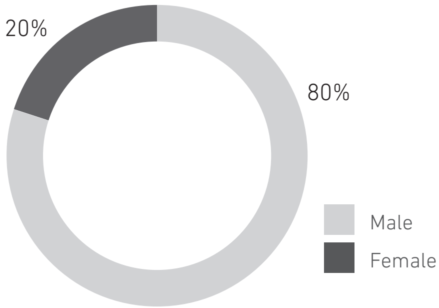
Board Diversity

Rule: CSE Rule Listing 9.5.1(C), CA (2023) Code – Principle I.2.1(C)

Requirement: Policy on board diversity including experience, skills, age, gender, and industry requirements.

No. of Members	Executive	Non - Executive	Independent	Non - Independent	Gender Representation		Age Distribution			
					Male	Female	Below 50	51-60	61-70	Above 70
10	1	09	03	07	08	02	01	06	02	01

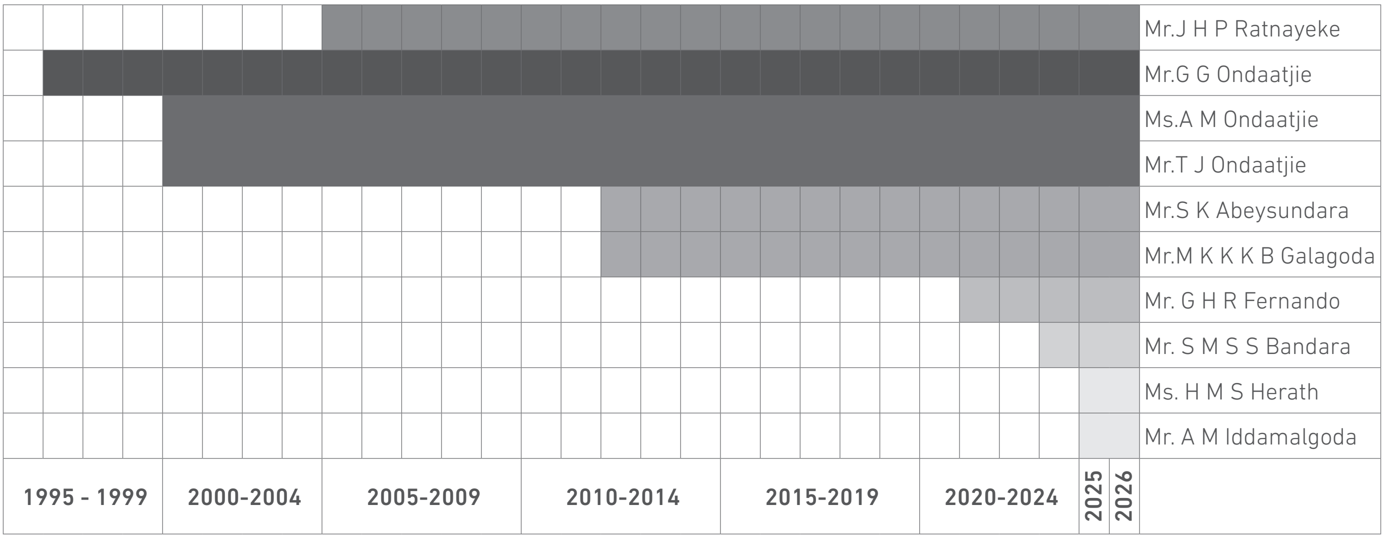
Gender Representation



No of years of service

Rule: 9.10.4

Requirement: Disclosure of directors' information including years of service.



Disclosure of Directors Information

Information	Section	Page Number
Name & Profile	Rule 9.10.4(a)	23-27
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Material Business Relationships	Rule 9.10.4(c)	34
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Sub-committees	Rule 9.10.4(g), Sub-committee Reports	45-63
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Audit Committee Report	Rule 9.13.5	45-51
Risk Management and Internal Control	Rule 9.13.5(b)	64
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Corporate Governance contd.

Information	Section	Page Number
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Sustainability / ESG Disclosures	CA Code - H + CSE ESG Guidance	79-89
Cybersecurity / IT Governance (if applicable)	CA Code – Principle G	

Directors' independence

Rule: 9.8.4 and 9.10.4(d)

Requirement: The presence of non-executive independent directors who enable independent judgment. Directors must submit an annual declaration confirming their independence, and the board must assess and confirm their independence based on the criteria set forth in the CSE listing rules.

Name of Director/Capacity	(i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)	(viii)	(ix)
Non-executive Non-independent Directors									
Mr. Gerard G. Ondaatjie	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	No
Ms. Angeline Ondaatjie	No	Yes	Yes	Yes	Yes	No	Yes	Yes	No
Mr. T.J. Ondaatjie	No	Yes	Yes	Yes	Yes	No	Yes	Yes	No
Mr. Manil Galagoda	No	No	No	No	Yes	No	No	No	No
Mr. J.H.P. Ratnayeke	No	No	No	No	Yes	No	No	No	Yes
Mr. S.K. Abeysundara	No	No	No	No	Yes	No	No	No	No
Non-executive Independent Director									
Mr. S M S S Bandara	No	No	No	No	No	No	No	No	No
Ms. H M S Herath	No	No	No	No	No	No	No	No	No
Mr. A M Iddamalgoda	No	No	No	No	No	No	No	No	No
Executive Director									
Mr. G.H.R. Fernando	Yes	Yes	No	No	No	No	No	No	No

Code	Criteria Description
(i)	has been employed by the Listed Entity during the period of three (3) years immediately preceding appointment as Director.
(ii)	currently has/had during the period of three (3) years immediately preceding appointment as a Director, a Material Business Relationship with the Listed Entity, whether directly or indirectly.
(iii)	currently has/had during the preceding financial year a Close Family Member who is a director and/or CEO in the Listed Entity.
(iv)	has a Significant Shareholding in the Listed Entity.
(v)	has served an aggregate period of nine (9) years on the Board of the Listed Entity from the date of the first appointment.
(vi)	is employed in another company or business; a. in which a majority of the other directors of the Listed Entity are employed or are directors; or b. in which a majority of the other directors of the Listed Entity have a Significant Shareholding or Material Business Relationship; or c. that has a Significant Shareholding in the Listed Entity or with which the Listed Entity has a Business Connection.
(vii)	is a director of another company; a. in which a majority of the other directors of the Listed Entity are employed or are directors; or b. that has a Business Connection in the Listed Entity or a Significant Shareholding.
(viii)	has a Material Business Relationship or a Significant Shareholding in another Public company or business; a. in which a majority of the other directors of the Listed Entity are employed or are directors; and/or b. which has a Business Connection with the Listed Entity or Significant Shareholding in the same; and/or c. where the core line of business of such company is in direct conflict with the line of business of the Listed Entity.
(ix)	is above the age of seventy (70) years.

Directors' Attendance

Rule: 9.10.4(f) and 9.10.4 (h)
Requirement: Disclosure of directors' attendance at board meetings.

Name of Director	27th May 2025	8th Oct 2025	13th Nov 2025	25th Mar 2026	Total Attedence
Mr.J H P Ratnayeke	✓	✓	✓	✓	4/4
Mr.G G Ondaatjie	✓	✓	✓	✓	4/4
Ms.A M Ondaatjie	✓	x	x	✓	2/4
Mr.T J Ondaatjie	✓	✓	x	x	2/4
Mr.M K K K B Galagoda	✓	✓	✓	x	3/4
Mr.S K Abeysundara	✓	✓	x	x	2/4
Mr. G H R Fernando	✓	✓	✓	✓	4/4
Mr. S M S S Bandara	✓	✓	✓	✓	4/4
Ms. H M S Herath	✓	✓	✓	✓	4/4
Mr. A M Iddamalgoda	✓	x	x	✓	2/4

Director Induction and Training

Rule: CA (2023) Code – Principle A.1.8
Requirement: Directors should receive appropriate induction and continuous training to effectively discharge their duties.
Disclosure: While no formal training sessions were conducted during the year, directors were regularly updated on relevant regulatory, industry, and business developments at Board and Committee meetings. The Company is committed to facilitating structured training in the upcoming periods.

Availability of Governance Policies

Rule: CA (2023) Code – Principle D.7, C.2.2, C.2.3, C.2.7, D.6 and I.1.1–I.1.4, CSE Listing rule 9
Requirement: Key governance policies should be made available to stakeholders.

Disclosure: The Company's The matters relating to the Board of Directors, Board Committees, Corporate Governance, Nominations and Re-election, Remuneration, Internal Code of Business Conduct and Ethics, Risk Management and Internal Controls, Relations with Shareholders and Investors, Environmental, Social and Governance Sustainability, Control and Management of Company Assets, Corporate Disclosures, Whistleblowing, Anti-Bribery and Corruption are available at the registered office and on the Company's website. These are periodically reviewed and updated.

Directors Aged 70+ and Long-Serving Directors

Rule: CSE Listing Rule 9.8.3 (ix)
Requirement: Directors over the age of 70 and those serving more than 9 consecutive years cannot be classified as Independent Directors from 01st March 2025.

Disclosure: One director is above 70 years of age, and certain directors have served over 9 years. In line with the CSE Listing Rule, they are reclassified as Non-Independent Non-Executive Directors.

Board Evaluation

Rule: CA (2023) Code - Principle A.9
Requirement: A formal annual performance evaluation of the Board, Committees, and individual directors.
Disclosure: The Company has established a formal evaluation process to assess the performance of the Board, its committees, and individual Directors. During the year under review, the evaluation was conducted through a structured process covering areas such as effectiveness, participation, decision-making, and strategic contribution. The outcomes of the evaluation are used to enhance Board performance and governance practices.

Succession Planning

Rule: CA (2023) Code – Principle A.1.2 and A.7.3
Requirement: The Board should ensure effective succession planning for senior management and Board leadership.
Disclosure: The Company has a succession planning process in place to ensure continuity in leadership and the smooth operation of the business. The Board periodically reviews and identifies key individuals within the organization for potential leadership roles, with development plans tailored to prepare them for future responsibilities. This process supports long-term sustainability and effective talent management across the organization.

Director Appointment Process

Rule: CSE Listing Rules 9.10.2 & 9.11.2
Requirement: Disclosure of the appointment and reappointment process of directors.
Disclosure: All regulatory requirements and corporate governance principles relating to director appointments were duly complied with.

Corporate Governance contd.

Directors' Shareholding

Rule: CSE Listing Rule 9.10
Requirement: Disclosure of shareholding of directors.
Disclosure: As at 31st March 2026, certain directors held shares in the Company. Details of individual director shareholdings are disclosed separately under the Directors' Interest in Shares section of the Annual Report, in accordance with the applicable disclosure requirements.

Corporate Governance Compliance Summary - 2025/2026

Governance Principle	CA Code Ref.	CSE Listing Rules	Compliance Status
Board composition and size	A.1	9.8.1	☑ Compliant
Minimum Independent Directors	A.5	9.8.2	☑ Compliant
Chairperson and CEO	A.2	9.6	☑ Compliant
Independence Declaration & Assessment	A.5.5, A.5.6, and Schedule C	9.10.4(d), 9.8.3(i–ix)	☑ Compliant
Tenure/Age Exceptions Disclosure	—	9.8.3(v), 9.8.3(ix)	☑ Compliant
Audit Committee Composition & Reporting	D.3	9.13.3–9.13.5	☑ Compliant
Remuneration Committee Composition & Reporting	B.1 & B.2	9.12.6, 9.12.8	☑ Compliant
Key Policies Disclosure	I.1	9.2.1	☑ Compliant
Director Appointment Procedures	A.7	9.10.2 & 9.11.2	☑ Compliant
General Meeting & Shareholder Rights	C.1 (C.1.1 – C.1.5) and C.2	9.4	☑ Compliant
Related Party Transactions Oversight	D.5	9.14.5	☑ Compliant
Fit & Proper Assessments	A.7.2 and Schedule D	9.7	☑ Compliant
Annual Governance Disclosures	—	9.2.3, 9.10.4, 9.13.5 & 9.7.5	☑ Compliant
Non-Compliance Reporting	D.7.1	9.7.5 (b) & 9.5.2	☑ Compliant

Other Disclosure

The roles of Chairman & CEO are separated to ensure independence and effective governance. The board has identified the key position regarding succession plans.

The chairperson of the board is not the chairperson of the board committees.
Mr. J H P Rathnayake is the chairperson of the board and Mr. S M S S Bandara is the chairperson of the committees.

Assurance from CEO and CFO - 2025/2026

In compliance with Rule 9.13.5(c) of the Listing Rules of the Colombo Stock Exchange and as part of our commitment to strong corporate governance and financial transparency, we provide the following assurance:

Statement from the CEO and CFO:

We, G H R Fernando, Executive Director, and Mr. Kumara Karunarathna, Chief Financial Officer of Nuwara Eliya Hotels Co. PLC, confirm that:

1) Financial Records:

- We have properly maintained the financial records of the company.
- The financial statements for the year ending 31st March 2026 give a true and fair view of the state of affairs of the company, its performance, and cash flows in accordance with the applicable financial reporting framework.

2) Internal Control Systems:

- We have reviewed the effectiveness of the internal control systems and risk management frameworks in place during the year.
- These systems and frameworks are adequate and effective in addressing the material risks faced by the company and ensuring the integrity of financial reporting.
- No significant deficiencies or material weaknesses in the design or operation of internal controls over financial reporting have been identified that could adversely affect the company's ability to record, process, summarize, and report financial data.

3) Compliance:

- We have ensured that the company complies with all applicable financial reporting requirements under the Companies Act, the SEC Act, and the Listing Rules of the Colombo Stock Exchange.
- Any instances of non-compliance have been duly addressed with appropriate remedial actions taken.

We affirm that to the best of our knowledge and belief, the above statements are accurate, and the financial reports and internal controls reflect the company's commitment to transparency and integrity.

Mr. G H R Fernando
Executive Director

Mr. Kumara Karunarathna
Chief Financial Officer

Annual Report of the Board of Directors

The Directors have pleasure in submitting their report, together with the Audited financial statements for the financial year ended 31st March 2026.

Review of the year

The Chairman's Review on page 6 contains a review of operations during the financial year.

Principal Activity

The principal activity of the Company and its subsidiary, which is hoteliering, remained unchanged.

Corporate Governance

The Board of Directors of the Company and its subsidiary is responsible for the governance of the company, which include setting out strategic aims, providing leadership and supervising the management. The corporate governance practices of the Company are given on page 29-37.

Internal Controls

The Statement of Corporate Governance and the Statement of Directors Responsibilities on pages 36 and 44 respectively, give a detailed description of the Company's internal control system.

Risk Management

The Board has established and adhered to a comprehensive risk management framework. The categories of risks faced by the Group are identified, the significance they pose are evaluated and mitigating strategies are adopted. A detailed overview of this process is outlined in the Risk Management report on page 64.

Customers

The Company provides services to both local and foreign clientele, with a passion for excellence. Stringent quality standards are maintained to ensure that guests enjoy a unique experience.

Suppliers

The Company endeavors to transact business with reputed organizations capable to offer quality goods and services at competitive prices with a view to building mutually beneficial business relationships.

Employment Policy

The number of permanent and contract employees of the company as at 31st March 2026 are 400 (31st March 2025 –403), the total remuneration paid during the year by the Company amounted to Rs. 431 Mn. (2024/2025 – Rs. 329 Mn) As a socially responsible "Equal Opportunity Employer", the Company's recruitment and employment policies are non-discriminatory. Our employment policies are reviewed periodically by the relevant committees and the Board of Directors.

Environment Policy

The Company is committed to environmental conservation and measures are taken in order to minimize any adverse impact resulting from its operations. An Environmental management system is in place to monitor and control any adverse environmental or social impacts. The Company's environmental and social practices are detailed on pages 79 to 89.

Compliance with laws and regulations

The Board has received assurance from the Audit Committee, and confirms that the Company has complied with all applicable laws, rules and regulations in its operations.

Statutory Payments

The Directors to the best of their knowledge are satisfied that all statutory payments in relation to the Government and employees have been either duly paid or appropriately provided.

Turnover

The net revenue of the Company and the Group for the year was Rs. 2,263 Mn (2024/25 Rs. 2,183 Mn) and Rs 2,450 Mn (2024/25 Rs. 2,356 Mn) respectively and the Segmental Analysis of revenue is given in Note 5.1 to the Financial Statements.

Results for the Year

Description	Company Millions		Group Millions	
	2025/26	2024/25	2025/26	2024/25
Profit/(Loss) Before Taxation	1,099.01	1,024.78	1,163.41	1,076.08
Taxation	(337.30)	(296.28)	(351.00)	(313.19)
Profit/(Loss) after tax	761.70	728.50	812.40	762.88
Balance brought forward from previous year	3,677.27	2,908.36	3,703.06	2,908.65
Actuarial Gain/(Loss) on defined benefit plan/obligation	14.33	(6.55)	14.28	(6.55)
Income tax effect on retirement benefit obligation	(4.30)	1.96	(4.29)	1.96
Amount available for appropriation	4,449.00	3,632.28	4,512.36	3,658.07
Transferred to Retained Earnings	59.56	44.99	59.56	44.99
Dividends paid	-	-	-	-
Retained Profit	4,508.57	3,677.27	4,571.92	3,703.06

Dividends

The Board of Directors has not recommended any dividend for the year ended 31st March 2026.

Capital Expenditure

The total capital expenditure incurred on the acquisition of fixed assets during the year by the Company amounted to Rs. 587.8 Mn (2024/25 - Rs 591.8 Mn) and by Group amounted to Rs. 591.1 Mn (2024/25 - Rs. 596.6 Mn) details of which are given in Note 13 to the Financial Statements.

Contingent Liabilities

The details of the contingent liabilities are disclosed in the Note 32.1 to the Financial Statements on page 138.

Property Plant & Equipment

The details of property, plant & equipment of the Company are shown in Note 13 to the Financial Statements on pages 120 to 123.

Stated Capital

The Stated Capital of the Company as at 31st March 2026 is Rs. 335,209,740/- (2024/25 – Rs. 335,209,740/-) comprising of 2,186,040 ordinary shares and 5,800 participating cumulative preference shares.

Reserves

The total reserves of the Company as at 31st March 2026 stand at Rs. 6,612.92 Mn (2024/25 – Rs. 5,818.6 Mn), comprising Revaluation Reserves of Rs. 1,992.1 Mn, Retained earnings 4,508.5 Mn and Other Reserves of Rs 112.2 Mn. The total reserves of the Group as at 31st March 2026 stand at Rs. 6,845.8 Mn (2024/25 – Rs. 6,013.9 Mn), comprising Revaluation Reserves of Rs. 2,161.6 Mn, Retained earnings 4,571.9 Mn and Other Reserves of Rs. 112.2 Mn

Donations

During the year donations of Rs. 575,800.00 (2024/25 - Rs. 635,000.00) were made to various charities by the Company and Rs. 580,800.00 (2024/25 – Rs. 640,000.00) by the Group.

Events Occurring after the Reporting Date

No circumstances have arisen since the reporting date which would require adjustments to or disclosure in the Accounts, other than those disclosed in Notes to the Accounts Note 31 on page 138.

Changes in Accounting Policies

The Accounting policies adopted by the Company and its subsidiary have been consistently applied from previous years.

The significant accounting policies adopted in the preparation of these Financial Statements are given on pages 101 to 113.

Going Concern

The Board adopts a going concern basis in the preparation of accounts since the Company holds adequate resources to continue its operations in the foreseeable future.

Annual Report of the Board of Directors contd.

Board of Directors

The Board of Directors of The Nuwara Eliya Hotels Co. PLC as at 31st March 2026 comprise of;

Name of Director	Executive/ Non-executive	Independent/ Non-Independent	Year of appointment to the current position	Position / Status
J.H.P. Ratnayeke	Non-executive Director	Non-Independent	06th Feb 2019	Chairman of the Board / Non-Executive Director
Gerard G. Ondaatjie	Non-executive Director	Non-Independent	02nd Jul 2018	Deputy Chairman of the Board / Non-executive Director
Angeline Ondaatjie	Non - Executive Director	Non-Independent	17th Oct 2000	Non - Executive Director / Member of Remuneration Committee
T.J. Ondaatjie	Non - Executive Director	Non-Independent	17th Oct 2000	Non - Executive Director / Member of Nominations and Governance Committee
S.K. Abeysundara	Non-Executive Director	Non-Independent	8th Apr 2013	Non-Executive Director
M.K.K.K.B. Galagoda	Non-Executive Director	Non-Independent	8th Apr 2013	Non-Executive Director / Member of Audit Committee and RPT Review Committee
G H R Fernando	Executive Director	-	01st Feb 2025	Executive Director
Mr. S M S S Bandara	Non-Executive Director	Independent	01st Oct 2024	Non - Executive Director, Chairman of Audit Committee, Chairman of Remuneration Committee, Chairman of RPT review Committee, Chairman of Nominations and Governance Committee.
Ms. H M S Herath	Non-Executive Director	Independent	14th Mar 2025	Non - Executive Director, Member of Audit Committee, Member of RPT review Committee.
Mr. A M Iddamalgoda	Non-Executive Director	Independent	28th Mar 2025	Non - Executive Director, Member of Remuneration Committee, Member of Nominations and Governance Committee

The number of meetings of the Board and individual attendance by members are shown below.

Name of Director	2025/26	2024/25
Mr.J H P Ratnayeke	4/4	3/4
Mr.G G Ondaatjie	4/4	4/4
Ms.A M Ondaatjie	2/4	4/4
Mr.T J Ondaatjie	2/4	4/4
Mr.M K K K B Galagoda	3/4	4/4
Mr.S K Abeysundara	2/4	1/4
Mr. G H R Fernando	4/4	4/4
Mr. S M S S Bandara	4/4	2/2
Ms. H M S Herath	4/4	-
Mr. A M Iddamalgoda	2/4	-

Ms. A M Ondaatjie who retires in terms of Article 88(i) of the Articles of Association as a Director of the Company, offer herself for re-election.

Mr. M K K K B Galagoda who retires in terms of Article 88(i) of the Articles of Association as a Director of the Company, offer himself for re-election

Mr. J H P Ratnayeke who retires in terms of Section 211 of the Companies Act No.07 of 2007.The Company has received special notice of intention to pass the following resolution as an ordinary resolution.

Resolved that the age limit of 70 years referred to in Sections 210 of the Companies Act No.07 of 2007 shall not be applicable to Mr. James Henry Paul Ratnayeke who is 76 years of age and whose appointment as a Director of the Company be and is hereby approved and who is elected a Director of the Company

During the year, no Directors ceased to serve on the Board of the Company.

Accordingly, CSE listing rule - 9.17,

(i) During the year under review, none of the Directors had any material interest in contracts or proposed contracts with the Company that required disclosure, and accordingly no Director was required to refrain from voting on matters

(ii) Board of Directors 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.

(iii) Board of Directors themselves aware of applicable laws, rules and regulations and are aware of changes particularly to Listing Rules and applicable capital market provisions.

(iv) No material non-compliance with law or regulation and no fines, which are material, imposed by any government or regulatory authority in any jurisdiction where the company has operations. The company has complied with all applicable compliances and regulations.

Board Committees

The following members of the Board serve on the Audit Committee
Mr. S M S S Bandara
Ms. H M S Herath
Mr. M K K K B Galagoda

The report of the audit committee is given on pages 45 to 51 of this report.

The following members of the Board serve on the Remuneration Committee.
Mr. S M S S Bandara
Mr. A M Iddamalgoda
Mr. A M Ondaatjie

The report of the Remuneration Committee is given on page 52 to 53 of this report.

The following members of the Board serve on the Nominations and Governance Committee
Mr. S M S S Bandara
Mr. A M Iddamalgoda
Mr. T J Ondaatjie

The report of the Nomination and Governance Committee is given on pages 54 to 59 of this report.

The following members of the Board serve on the Related Party Transactions Review Committee
Mr. S M S S Bandara
Ms. H M S Herath
Mr. M K K K B Galagoda

The report of the Related Party Transactions Review Committee is given on page 60 to 63 of this report.

Annual Report of the Board of Directors contd.

Directors Meetings

The number of Directors' meetings which comprise of Board meetings, Audit Committee meetings, Remuneration Committee meetings, Nomination Committee meetings, and Related Party Transactions Review (RPT) Committee meetings together with the attendance of each Director at these meetings during the year are tabulated below.

Name of Director	Board Meetings		Audit Committee Meetings		Remuneration Committee Meetings		Nomination Committee Meetings		RPT Review Committee Meetings	
	A	B	A	B	A	B	A	B	A	B
J.H.P. Ratnayeke	4	4	-	-	-	-	-	-	-	-
Gerard G. Ondaatjie	4	4	-	-	-	-	-	-	-	-
Angeline Ondaatjie	4	2	-	-	1	1	-	-	-	-
T.J. Ondaatjie	4	2	-	-	-	-	1	1	-	-
S.K. Abeysundara	4	2	-	-	-	-	-	-	-	-
M.K.K.K.B. Galagoda	4	3	3	3	-	-	-	-	3	3
G H R Fernando	4	4	-	-	-	-	-	-	-	-
Mr. S M S S Bandara	4	4	4	4	1	1	1	1	4	4
Ms. H M S Herath	4	4	4	4	-	-	-	-	4	4
Mr. A M Iddamalgoda	4	2	-	1	1	1	1	1	-	1

A - No. of Meetings
B - Attendance

Directors Interest Register

The Directors of the Company have made the general disclosures provided for in Section 192(2) of the Companies Act No.07 of 2007. The related party disclosures and the Directors of each of those related parties are given on pages 62 to 63.

Directors' Remuneration

The aggregate emoluments paid to the Directors in respect of the Company and the Group for the financial year 2025/26 amounted to Rs. 13,401,400 (2024/25 – Rs. 12,865,672) given in note 09 to the Financial Statements on page 115.

Year	Total Directors' Remuneration	Executive Director Remuneration	Non - Executive Directors' Remuneration
2025/26	13,401,400	11,487,400	1,914,000
2024/25	12,865,672	11,125,672	1,740,000

Directors Interest in Contracts

The Directors of the Company have made the general disclosures provided for in Section 192(2) of the Companies Act No.07 of 2007. The related party disclosures and the Directors of each of those related parties are given on pages 62 to 63.

Directors Shareholdings

As at 31st March	2025/26	2024/25
	Shares	Shares
Mr. J H P Ratnayeke	327	327
Mr. G G Ondaatjie	238,088	238,088
Ms. A M Ondaatjie	219,737	219,737

As at 31st March	2025/26	2024/25
	Shares	Shares
Mr. T J Ondaatjie	219,737	219,737
Mr. M K K K B Galagoda	-	-
Mr. S K Abeysundara	-	-
Mr. G.H.R. Fernando	-	-
Mr. S M S S Bandara	-	-
Ms. H M S Herath	-	-
Mr. A M Iddamalgoda	-	-

Shareholders' Information

The distribution of shareholders is indicated on pages 146 to 147 in the Annual Report. There were 745 registered shareholders as at 31st March 2026.

Share Information

Information on share trading is given on pages 146 to 147 of the Annual Report.

Public Holding

The number of ordinary shares held by the public as at 31st March 2026 was 235,316 shares (2024/25 – 235,316), which amounted to 10.76% (2024/25 - 10.76%) of the issued capital of the Company. The number of public shareholders was 732 as at 31st March 2026.

The Company complies with the Minimum Public Holding requirement under option 1 (Diri Savi Board) of 7.13.1(i)(b)

Float adjusted market capitalization as at 31st March 2026– Rs. 1,058,304,154.00

Number of shares representing the Stated Capital is 2,186,040

Financial Statements

The Financial Statements of the Company and the Group have been prepared in accordance with Sri Lanka Accounting Standards (SLFRS/LKAS) as issued by the Chartered Accountants of Sri Lanka (CASL) and in compliance with the requirements of Companies Act No. 7 of 2007. The Financial Statements of the Company and the Group for the year ended 31st March 2026 signed by the Chief Financial Officer, the Deputy Chairman and another Director of the Company are given on page 97 which form an integral part of the Annual report of the Board.

Directors' Responsibility for Financial Reporting

The Directors are responsible for the preparation of the Financial Statements of the Company to reflect a true and fair view of the state of affairs. The Directors are of the view that these Financial Statements have been prepared in conformity with the requirements of the Companies Act No. 7 of 2007, the Sri Lanka Accounting Standards and the Listing Rules of the Colombo Stock Exchange. The statement of directors' responsibility for financial reporting is given on page 44 and forms an integral part of this report.

Auditors

The Financial Statements for the year ended 31st March 2026 have been audited by Messrs. Ernst & Young, Chartered Accountants.

Messrs. Ernst & Young, Chartered Accountants are deemed reappointed in terms of Section 158 of the Companies Act No. 7 of 2007 as the Auditors of the Company. A resolution proposing the Directors be authorized to determine the remuneration of the Auditors will be submitted to the Annual General Meeting.

The amount payable to Auditors Messrs. Ernst & Young for the year ended 31st March 2026 is Rs. 926,000.00 as Audit Fees and Cost of Non-Audit Services of Rs. 415,330 was also incurred by the Company.

As far as the Directors are aware, the Auditor does not have any relationship (other than that of an auditor) with the company other than those disclosed above. The Auditors also did not have any interests in the Company.

Annual General Meeting

The Annual General Meeting will be held on 30th September 2026 from 11.00 A.M onwards as a virtual meeting. Notice of the meeting relating to the 134th Annual General Meeting is given on page 149.

For and on behalf of the Board

Gerard G. Ondaatjie
Deputy Chairman

T.J. Ondaatjie
Director

(Sgd.)
Mercantile Investments and Finance PLC
Secretaries

Colombo.

11th August 2026

Statement of Directors Responsibilities

In Relation to the Financial Statements and Compliance with Corporate Governance Provisions

In Relation to the Financial Statements and Compliance with Corporate Governance Provisions

The Board of Directors of The Nuwara Eliya Hotels Company PLC acknowledges its responsibility to ensure that the Company and its Subsidiary's Financial statements, notes including accounting policies present a true and fair view of the financial position as at 31st March 2026, and the performance for the year then ended, in accordance with the requirements of the Companies Act No. 7 of 2007, the Sri Lanka Accounting Standards (SLFRS/LKAS), and the revised Listing Rules of the Colombo Stock Exchange (effective from October 2023 and April 2025).

These responsibilities are distinct from those of the external auditors, whose role is explained in the Independent Auditors' Report. In discharging these duties, the Board confirms that,

- Appropriate accounting policies have been selected and consistently applied.
- Judgments and estimates made are reasonable and prudent.
- Applicable accounting standards have been complied with.
- The Company has maintained adequate internal controls to safeguard its assets, prevent fraud and errors, and ensure the accuracy and reliability of financial reporting.
- The financial statements have been prepared on a Going Concern basis.
- In line with the enhanced corporate governance framework issued by the CSE, the Board further confirms that:
- The Company is in full compliance with Section 9 of the Listing Rules, including rules relating to board composition, independence, alternate directors, and director age limits;
- All independent directors have submitted their annual declarations of independence, and the Board has assessed their status based on the latest criteria.
- A "fit and proper" assessment has been completed and declared for each director and the CEO, in accordance with Rule 9.7.3, 9.7.4 and 9.7.5(a);
- The Board has implemented a Nomination & Governance Committee, Audit Committee, Remuneration Committee, and Related Party Transactions Review Committee, in compliance with prescribed composition and duties;
- Detailed disclosures on the structure, policies, and operations of these committees are included in the Corporate Governance Report;
- Directors' attendance records, committee memberships, and reappointment details are disclosed to promote accountability and transparency.

Also:

- The company has adopted 12 formal policies stated in Company's Website.
- All statutory payments due as of the reporting date have been settled or appropriately provided for;
- Measures are in place to ensure continuous compliance with financial and non-financial disclosures as mandated by the Listing Rules and the Companies Act.

The Board is satisfied that the Company's governance framework and internal financial reporting systems are robust and effective to support sustainable value creation while fulfilling our obligations to shareholders and regulatory bodies.

In addition, the Board confirms the following in alignment with best practices and corporate governance standards:

- The Directors have ensured that the Company has adequate resources to continue in operation and justify applying the going concern basis in preparing these financial statements.
- The Board is required to provide the Auditors with every opportunity to take whatever steps and undertake whatever inspection they consider appropriate to enable them to give an independent Auditors' Report.
- In the event of a dividend distribution, the Board ensures that the Company satisfies the solvency test in accordance with Section 57 of the Companies Act.
- The Board of Directors is of the view that they have discharged their responsibilities as set out in this Statement.
- The Board also confirms that:
    - All taxes, levies, and employee contributions have been paid or appropriately provided for.
    - All other known statutory obligations have been settled or appropriately provided for.
    - Related party transactions comply with LKAS 24 and have been conducted at arm's length.
    - Compliance with contingent liability disclosure requirements has been ensured.

By order of the Board
The Nuwara Eliya Hotels Company PLC

(Sgd.)
Mercantile Investments and Finance PLC
Secretaries

Colombo.

11th August 2026

Audit Committee Report

Chairman

Mr. S M S S Bandara
(Chartered Accountant) w.e.f 01.10.2024

Dear shareholder,
I am pleased to present the Audit Committee Report for the year ended 31st March 2026. This report presents the roles and responsibilities of the Audit Committee and how the Audit Committee worked towards discharging its duties and responsibilities.

Members

- Ms. H M S Herath (w.e.f -28.03.2025)
- Mr.M K K K B Galagoda (w.e.f 27.05.2025

Audit Committee Composition

Category	Number
Independent Non-Executive Directors	02
Non-Executive Directors	01

The composition of the committee complies with the new CSE listing rules, ensuring that The Audit Committee consists of at least three directors and majority of the committee are Independent Directors. The Chairperson of the Audit Committee is an independent non-executive director and a member of a recognized professional accounting body.

Roles and Responsibilities

A. Internal Controls & Risk Mgt.
b. Financial Reporting
c. Internal Audit
d. External Audit & Compliance

Purpose of the Committee

The Audit Committee assists the Board in observing its responsibility of ensuring that the Group's financial systems provide accurate and up-to-date information on its financial position and that the published Consolidated Financial Statements represent a true and fair reflection of this position. It also assists the Board in ensuring that appropriate accounting policies, internal financial controls and compliance procedures are in place. The Audit Committee receives and reviews information from the CFO, the Company Secretary, the Internal Audit Team and the External Auditors regularly throughout the year.

Duties of the Committee

- **Monitoring the Financial Reporting Process**: Ensuring compliance with Sri Lanka Accounting standards, the Companies Act, and other financial reporting requirements and regulations.
- **Monitoring the Statutory Audit**: Overseeing the statutory audit of the Group's Financial Statements.
- **Reviewing the Financial Statements**: Assessing the material financial reporting judgments contained therein.
- **Monitoring the Effectiveness of Internal Controls and Risk Management Systems**: Reviewing and ensuring these systems are adequate.
- **Reviewing and Monitoring Auditor Independence:** Ensuring the independence of the External Auditors and overseeing their engagement for additional services.
- **Advising the Board**: Providing recommendations on the appointment and removal of the external auditors and determining their remuneration and terms of engagement.

Non - Audit Services

Ernst and Young provide non-audit services to the Group which are governed to safeguard their objectivity and independence by Nuwara Eliya Hotels Audit and Non-Audit Services Pre-Approval Policy.

The minutes of the Audit Committee meetings are sent to the Board of Directors for acknowledgement. Significant issues arising therefrom were discussed by the Board of Directors.

a. Internal Controls and Risk Management

The Board has ultimate responsibility for ensuring that it has adequate systems of financial control. Systems of financial control can provide only reasonable and not absolute assurances against material misstatements or losses. The Board has adopted guidelines defining financial authorization and setting procedures for approving capital and investment expenditure. The Board also reviews and approves the annual strategic and financial plans. It subsequently reviews quarterly performance against targets set forth in these plans and budgets. A key focus of the financial management strategy is the protection of the Group's earnings stream and management of its cash flow.

The Board and its committees have reviewed the effectiveness of the Group's risk management system and internal control systems in accordance with the Code of Best Practice on Corporate Governance. Part of this review involves the regular review by the Audit Committee of the Group's financial controls.

The Audit Committee reviewed the reports submitted by the management and the Internal Auditors on a quarterly basis regarding compliance with applicable laws and regulations. The Committee is satisfied that laws and regulations are duly complied with and statutory payments have been made on a timely basis.

b. Financial Reporting

The Audit Committee monitors the integrity of the Financial Statements and annual accounts and confirms that they have been properly prepared in accordance with SLFRS and LKAS requirements of the Accounting Standards. The Audit Committee reviews

Audit Committee Report contd.

draft annual and interim reports before recommending their publication to the Board. The Audit Committee discusses with CFO, and External Auditors the significant accounting policies, estimates, and judgments applied in preparing the reports. The Audit Committee also reviews the reports to shareholders and any other public announcement concerning the Group's financial position, corporate governance statements, and statements on the Group's system of internal controls and reports its views to the Board to assist in its approval of the results announcement and the Annual Report.

c. Internal Audit

The Audit Committee monitors and reviews the effectiveness of the internal auditor; agrees the annual work plan and reviews whether the internal auditors have the proper resources to enable them to satisfactorily complete such work plans. It also reviews status reports and considers management's response to any major findings, providing support if necessary for any follow-up action required and ensures that the team obtains free and unrestricted access to all Group activities, records, property, and personnel necessary to fulfil its agreed objectives

d. External Audit and Compliance & Independence

To ensure that the external auditors Ernst and Young's independence is safeguarded, the lead audit partner will be rotated every seven years. This is the third year of the current lead audit partner. The Committee reviews the independence and effectiveness of Ernst and Young on an ongoing basis and receives reports from them on their independence annually.

In addition to the Company policies and procedures which aim to ensure the external auditor's independence and effectiveness, Ernst and Young also have their own protective policies and systems in place which are explained in an Engagement Letter issued by Ernst and Young on an annual basis. For the year ended 31 March 2026, the Committee was satisfied with the independence, objectivity, and effectiveness of the relationship with Ernst and Young as the external auditor. The committee reviewed the auditors' independence and discussed key audit matters with the audit partner.

Written assurance was obtained from the external auditors approved by the SEC confirming that they are and have been independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.

Meeting Attendence

Directors	27th May 2025	12th Aug 2025	13th Nov 2025	9th Feb 2026
Mr. S M S S Bandara	✓	✓	✓	✓
Ms. H M S Herath	✓	✓	✓	✓
Mr. A M Iddamalgoda	x	-	-	-
Mr. M K K K B Galagoda	-	✓	✓	✓

- Mr. A M Iddamalgoda - ceased to be a member of committee as of 27th May 2025.
- Mr. M K K K B Galagoda - appointed as a member of committee as of 27th May 2025.

Disclosures in the Annual Report

- The names of the Chairperson and members of the Audit Committee, and the nature of directorships held by such members.
- The status of risk management and internal control of the Listed Entity.
- A statement that it has received assurance from the CEO and the CFO regarding the Entity's operations and finances.
- An opinion on the compliance with financial reporting requirements, the Companies Act, and the SEC Act.
- A statement confirming that written assurance was obtained from the external auditors approved by the SEC, confirming their independence.
- A statement confirming that the Audit Committee has made a determination of the independence of auditors and the basis of such determination.

Conclusion

The Audit Committee is satisfied about the effectiveness of the internal controls and risk management practices, implementation of Accounting Policies, and auditors' independence in accordance with the Group policies and that the Group assets are properly accounted for and adequately safeguarded.

Date	For the Quarter Ended	Key Issues Discussed	Key Role	Meeting Attendance
27/05/2025	31/03/2025	Review Draft Interim Statement for the quarter ended 31/03/2025 and recommend to the Board for approval and issuance	b	02/03
		Review Internal Audit Report for the period 01/10/2024 - 31/12/2024 and 01/01/2025 - 31/03/2025.	c	
		Review Internal Audit Scope for 2025/2026	c	
		Review Statutory Compliance for the period 01/01/2025 – 31/03/2025	a	
		Review Capital Expenditure budget/actuals	a	
		Review asset purchases/disposals for the quarter ended 31/03/2025.	a	
		Recommended SOP for Board Approval	c	
12/08/2025	30/06/2025	Review of draft Audited Financial Statements for the year ended 31st March 2025	b	03/03
		Review of Financial Highlights, Outlet P&L and Farm P&L for the year ended 30th June 2025	b	
		Review Draft Interim Statement for the quarter ended 30/06/2025 and recommend to the Board for approval and issuance	b	
		Recommend appointment of Auditors, their remuneration and independence	d	
		Audit Committee Report and Corporate Governance Report for the year ended 31/03/2025 for the Annual Report	d	
		Review Internal Audit Report for the period 01/04/2025 – 30/06/2025	c	
		Review Statutory Compliance for the period 01/04/2025– 30/06/2025	a	
		Review Capital Expenditure budget/actuals	a	
		Review asset disposals for the quarter ended 30/06/2025	a	
13/11/2025	30/09/2025	Review of Draft Interim Statement for the quarter ended 30/09/2025 and recommend to the Board for approval and issuance	b	03/03
		Review of Internal Audit Report for the period 01/04/2025 – 30/06/2025 & 01/07/2025 – 30/09/2025.	c	
		Review of Statutory Compliance for the period 01/07/2025– 30/09/2025	a	
		Review of Capital Expenditure budget/actuals	a	
		Review of asset disposals for the quarter ended 30/09/2025	a	
		To approve Tax fee for the Financial Year 2025/2026		
09/02/2026	31/12/2025	Review Draft Interim Statement for the quarter ended 31/12/2025 and recommend to the Board for approval and issuance	b	03/03
		Review Internal Audit Report for the period 01/09/2025 – 31/12/2025 and discuss internal auditors' scope for year 2026/2027.	c	
		Review Statutory Compliance for the period 01/10/2025– 31/12/2026	a	
		Review Capital Expenditure budget/actuals	a	
		Review asset disposals for the quarter ended 31/12/2025	a	
		Review E&Y IESBA Pre-Concurrence for tax compliance services for Corporate Income Tax for the Year of Assessment 2025/26	d	

Audit Committee Report contd.

Compliance with CSE's New Listing Rules - Section 9.13, Rules on Audit Committee

Listing Rule	Governance Principal	Description	Compliance	Compliance Details
9.13.3 (1)	Composition	(a) The audit committee shall comprise a minimum of three directors, out of which a minimum of two or a majority, whichever is higher, shall be independent directors. (b) not comprise of Executive Directors of the Listed Entity.	Complied	Two members (Majority) of the audit committee consist of independent non-executive directors. The committee does not comprise any of Executive Directors
9.13.3 (2)		The quorum for a meeting of the Audit Committee shall require that the majority of those in attendance to be independent directors.	Complied	Meetings attended by majority of independent directors
9.13.3 (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.	Complied	Audit Committee meetings are scheduled quarterly and financial statements are approved by the committee before publishing quarterly financial statements
9.13.3 (4)		An Independent Director shall be appointed as the Chairperson of the Audit Committee by the Board of Directors.	Complied	Chairman of the Audit Committee is an independent non-executive director.
9.13.3 (5)		Unless otherwise determined by the Audit Committee, the CEO and the Chief Financial Officer (CFO) of the Listed Entity shall attend the Audit Committee meetings by invitation. Provided however where the Listed Entity maintains a separate Risk Committee, the CEO shall attend the Risk Committee meetings by invitation.	Complied	General Manager and CFO Attended committee meetings by invitation.
9.13.3 (6)		The Chairperson of the Audit Committee shall be a Member of a recognized professional accounting body. Provided however, this Rule shall not be applicable in respect of Risk Committees where a Listed Entity maintains a separate Risk Committee and Audit Committee.	Complied	Chairperson of the Audit Committee is fellow member of CA Sri Lanka.
9.13.4.1 (i)	Functions	Oversee the Entity's compliance with financial reporting requirements, information requirements under these Rules, the Companies Act and the SEC Act and other relevant financial reporting related regulations and requirements.	Complied	The Committee oversees the Company's compliance with applicable financial reporting requirements, the Listing Rules of the Colombo Stock Exchange, the Companies Act, the SEC Act and other relevant regulatory requirements.

Listing Rule	Governance Principal	Description	Compliance	Compliance Details
9.13.4.1 (ii)		Review the quarterly results and year-end financial statements of the Entity prior to tabling for the approval of the Board of Directors of the Entity with special reference to: (a) changes in or implementation of major accounting policy changes; (b) significant matters highlighted including financial reporting issues, significant judgments made by management, significant and unusual events or transactions, and how these matters are addressed; (c) compliance with accounting standards and other legal requirements; (d) any related party transaction and conflict of interest situation that may arise within the Listed Entity or group including any transaction, procedure or course of conduct that raises questions of management integrity; (e) any letter of resignation from the external auditors of the Listed Entity; and, (f) whether there is reason (supported by grounds) to believe that the Listed Entity's external auditor is not suitable for re-appointment	Complied	The committee reviews and approve the quarterly and year-end financial statement prior to tabling for the approval of Board. And compliances regarding legal requirements, accounting standards, RPT Transactions, external auditors' resignations and re-appointment.
9.13.4.1 (iii)		To make recommendations to the Board pertaining to appointment, re- appointment and removal of external auditors and to approve the remuneration and terms of engagement of the external auditors.	Complied	The Committee makes recommendations to the Board regarding the appointment, re-appointment and removal of the External Auditors and approves their remuneration and terms of engagement, as applicable.
9.13.4.1 (iv)		Obtain and review assurance received from: (a) the CEO and the CFO that the financial records have been properly maintained and the financial statements give a true and fair view of the Entity's operations and finances; and (b) the CEO and other key management personnel who are responsible, regarding the adequacy and effectiveness of the Entity's risk management and internal control systems.	Complied	The Committee obtains and reviews appropriate assurances from the GM and CFO regarding the maintenance of financial records and the fair presentation of the financial statements, and from the GM and relevant key management personnel regarding the adequacy and effectiveness of risk management and internal control systems.
9.13.4.1 (v)		Review the internal controls in place to prevent the leakage of material information to unauthorized persons.	Complied	The Committee reviews the internal controls and procedures established to safeguard against the unauthorized disclosure or leakage of material information.
9.13.4.1 (vi)		Oversee the processes to ensure that the Entity's internal controls and risk management are adequate to meet the requirements of the Sri Lanka Auditing Standards.	Complied	The Committee oversees the processes relating to internal controls and risk management to ensure that they are adequate and appropriate to meet applicable Sri Lanka Auditing Standards and regulatory requirements

Audit Committee Report contd.

Listing Rule	Governance Principal	Description	Compliance	Compliance Details
9.13.4.1 (vii)		Review and assess the company's risk management process, including the adequacy of the overall control environment and controls in areas of significant risks and updated business continuity plans.	Complied	The Committee reviews and assesses the Company's risk management processes, including the adequacy of the overall control environment, controls relating to significant risks and business continuity arrangements.
9.13.4.1 (viii)		Review the risk policies adopted by the Entity on an annual basis.	Complied	The Committee reviews the risk management policies adopted by the Company on an annual basis and recommends amendments where necessary.
9.13.4.1 (ix)		Take prompt corrective action to mitigate the effects of specific risks in the case such risks are at levels beyond the prudent levels decided by the committee on the basis of the Listed Entity's policies and regulatory requirements.	Complied	The Committee monitors significant risks and recommends or initiates appropriate corrective action where risks exceed the prudent levels established by the Committee, taking into consideration the Company's policies and applicable regulatory requirements.
9.13.4.1 (x)		Review the scope and results of the internal and external audit and its effectiveness, and the independence, performance and objectivity of the auditors.	Complied	The Committee reviews the scope, findings and effectiveness of the internal and external audits and assesses the independence, performance and objectivity of the auditors
9.13.4.1 (xi)		To develop and implement policy on the engagement of the external auditor to supply non-audit services, at minimum taking into account relevant ethical guidance regarding the provision of non-audit services by an external audit firm; and to report to the Board identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps ought to be taken.	Complied	The Audit Committee has oversight of the policy governing the engagement of the External Auditors for non-audit services, taking into consideration applicable ethical requirements, and reports to the Board on matters requiring attention or improvement, together with appropriate recommendations
9.13.4.1 (xii)		If a change of auditor is recommended by the Audit Committee in circumstances where the audit opinion of the immediately disclosed financial period or any period where subsequent disclosure of audit opinion is pending and such opinion carries a modification or an emphasis of matter of going concern, then the Audit Committee report shall include the rationale of the Audit Committee for recommending the removal of the auditor.	Complied	Where applicable, the Audit Committee will disclose in its report the rationale for recommending a change of External Auditor in circumstances where the auditor's opinion contains a modification or an emphasis of matter relating to going concern.
9.13.4.1 (xiii)		Where the Audit Committee is of the view that a matter reported by it to the Board of Directors of a Listed Entity has not been satisfactorily resolved resulting in a breach of these Requirements, the Audit Committee shall promptly report such matter to the Exchange.	Complied	Where a matter reported by the Audit Committee to the Board has not been satisfactorily resolved and results in a breach of applicable Listing Requirements, the Audit Committee will promptly report the matter to the Colombo Stock Exchange, as required.

Listing Rule	Governance Principal	Description	Compliance	Compliance Details
9.13.5 (a)	Disclosures in the Annual Report	Names of Chairperson, directors comprising the Audit Committee and nature of directorships held by such members	Complied	Refer the Audit Committee Report in pages 45 to 51
9.13.5 (b)		Status of risk management and internal control of the Listed Entity and the Group	Complied	Refer to the Audit Committee Report in pages 45 to 51.
9.13.5 (c)		A statement that it has received assurance from the CEO and the CFO of the Entity's operations and finances.	Complied	Refer to the Corporate Governance Report in page 36 to 37.
9.13.5 (d)		An opinion on the compliance with financial reporting requirements, information requirements under these Rules, the Companies Act and the SEC Act and other relevant financial reporting related regulations and requirements.	Complied	Refer to the Audit Committee Report in pages 45 to 51.
9.13.5 (e)		Whether the Listed Entity has a formal Audit Charter	Complied	The Company has a formal Audit Charter approved by the Board
9.13.5 (f)		The manner in which internal audit assurance is achieved and a summary of the work of the internal audit function;	Complied	Refer to the Audit Committee Report in pages 45 to 51.
9.13.5 (g)		Details demonstrating the effective discharge of its functions and duties for that financial year of the Listed Entity;	Complied	Refer to the Audit Committee Report in page 45 to 51.
9.13.5 (h)		A statement confirming that written assurance was obtained from the external auditors approved by the SEC, confirming that they are and have been independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements; and	Complied	Refer to the Audit Committee Report in pages 45 to 51.
9.13.5 (i)		A statement confirming that the Audit Committee has made a determination of the independence of auditors and the basis of such determination. It shall also contain details on the number of years that the external auditor and the audit partner were engaged. If the external auditor provides non audit services, explanations must be made of how auditor objectivity and independence are safeguarded taking into consideration fees paid for non- audit services provided by the external auditor and affiliated parties.	Complied	Refer to the Audit Committee Report in pages 45 to 51.

S. Bandara

Mr. S M S S Bandara
Chairman - Audit Committee

11th August 2026

Remuneration Committee Report

Chairman

Mr. S M S S Bandara (Chartered Accountant) w.e.f 01.10.2024

Dear Shareholder,
I am pleased to present the Remuneration Committee Report for the year ended 31st March 2026. This report presents the roles and responsibilities of the Remuneration Committee and how the Remuneration Committee discharged its duties and responsibilities.

Members

- Ms. A M Ondaatjie (Veteran hospitality leader) w.e.f 27.05.2025
- Mr. A M Iddamalgoda (Senior Banking Professional) w.e.f 28.03.2025

Remuneration Committee Composition

Category	Number
Non-Executive Independent Directors	02
Non-Executive Non-Independent Directors	01

Reviewing and making recommendations to the Board on remuneration packages and policies applicable to the Directors and Key Management Personnel.

Purpose Of The Committee

The Remuneration Committee is a sub-committee of the Board, which is responsible for reviewing, making recommendations to the Board and approving the remuneration packages and policies applicable to the Directors and Key Management Personnel.

Duties of the Committee

Attracting, retaining and motivating Directors and Key Management Personnel of appropriate caliber and experience are essential to the Company's future success and therefore it is the primary objective of the Committee.

The other objectives of the remuneration policy are to:

- Ensure the integrity of the company's remuneration strategy is maintained and that the shareholder and employee interests are aligned;
- Pay a base salary, benefits and other perks which compares with other companies of comparable size and complexity in accordance with the remuneration policy;
- Use short-term and long-term increments to encourage Executive Directors to out-perform targets, thereby linking their rewards to the interests of shareholders and other stakeholders and giving them the opportunity to increase their earnings;
- Overseeing the compliance with statutory responsibilities relating to remuneration;
- Reviewing executive and director termination payments;
- Encourage Executive Directors to hold shares in the Company; and facilitate effective succession planning.

Remuneration Policy

The remuneration policy of The Nuwara Eliya Hotels Company PLC is designed to attract, reward, motivate and retain the Company's Directors and Key Management Personnel, with market competitive remuneration and benefits, to support the continued future success of the Company and creation of shareholder value. Accordingly, salaries and other benefits are reviewed periodically, taking into account the performance of the individual and industry standards

Remuneration of Non-Executive Directors

The process for determining remuneration of the Non-Executive Directors has the objective of ensuring maximum benefit for The Nuwara Eliya Hotels Company PLC by the retention of high-quality resources in the Board.

The Remuneration Committees bears the responsibility of determining the appropriate remuneration for Non-Executive Directors. Non- Executive Directors' fees are reviewed periodically by the Remuneration Committee with reference taken to the fees paid to the Non-Executive Directors of comparable companies.

The Remuneration Committee is subject to the direction and control of the Board. In forming a view of the appropriate level of Board fees to be paid to Non-Executive Directors, the Committee may also elect to receive advice from independent remuneration consultants, if necessary. The Directors emoluments are disclosed on page 115

Meeting Attendence

Name of Member	9th Feb 2026
Mr. S M S S Bandara	✓
Ms. A M Ondaatjie	✓
Mr. A M Iddamalgoda	✓

- Mr. J.H.P Ratnayake – ceased to be a member of committee as of 27th May 2025

Conclusion

During the year, the Committee conducted a review of all elements of the remuneration packages of Directors and performance-related elements, this report describes how the Board has applied the principles relating to Directors' remuneration in the Combined Code on Corporate Governance, and the corresponding requirements as per Companies Act 2007 through the remuneration committee.

Compliance with CSE's New Listing Rules- Section 9.12 Rules on Remuneration Committee

Listing Rule	Governance Principal	Description	Compliance	Compliance Details
9.12.6 (1)	Composition	The members of the Remuneration Committee shall; (a) comprise of a minimum of three (03) Directors of the Listed Entity, out of which a minimum of two (02) members shall be Independent Directors of the Listed Entity. (b) not comprise of Executive Directors of the Listed Entity.	Complied	Two members (Majority) of the Remuneration committee consist of independent non-executive directors. The committee does not comprise any of Executive Directors
9.12.6 (2)		One non-executive director shall be appointed as Chairman of the committee by the board of directors.	Complied	Chairman of the Remuneration Committee is an independent non-executive director.
9.12.7 (1)	Functions	The Remuneration Committee shall recommend the remuneration payable to the Executive Directors and CEO of the Listed Entity and/or equivalent position thereof to the Board of the Listed Entity which will make the final determination upon consideration of such recommendations.	Complied	Refer the roles and responsibilities of the Remuneration Committee set in pages 52 to 53
9.12.7 (2)		The Remuneration Committee may engage any external consultant or expertise that may be considered necessary to ascertain or assess the relevance of the remuneration levels applicable to Directors and CEO.	Complied	Refer the roles and responsibilities of the Remuneration Committee set in pages 52 to 53.
9.12.8 (a)	Disclosures in the Annual Report	Names of directors comprising the remuneration Committee	Complied	Refer the Remuneration Committee Report in pages 52 to 53
9.12.8 (b)		Remuneration Policy	Complied	Refer the Remuneration Committee Report in pages 52 to 53
9.12.8 (c)		Aggregate Remuneration paid to executive and non-executive directors	Complied	Refer the Annual report of Directors set in page 42.

S. Bandara

Mr. S M S S Bandara
Chairman-Nomination and Governance Committee

11th August 2026

Nomination & Governance Committee Report

Chairman

Mr. S M S S Bandara (Chartered Accountant) w.e.f 01.10.2024

Dear Shareholder,
I am pleased to present the Nomination and Governance Committee Report for the year ended 31st March 2026. This report presents the roles and responsibilities of the Nomination and Governance Committee and how the Nomination and Governance Committee discharged its duties and responsibilities.

Members

- Mr. A M Iddamalgoda (Senior Banking Professional) w.e.f 27.05.2025
- Mr. T J Ondaatjie (Prominent hotel industry personality) w.e.f 27.05.2025

Nomination Committee Composition

Category	Number
Non-Executive Independent Directors	02
Non-Executive Non-Independent Directors	01

Roles and Responsibilities

Make recommendations to the Board on all Board appointments to ensure that the Board possesses the necessary expertise, knowledge and the Board Balance to effectively discharge its duties and responsibilities.

Purpose of the Committee

The Nomination and Governance Committee at The Nuwara Eliya Hotels Co. PLC is established for making recommendations to the Board for the appointment or replacement of additional Directors and ensuring there is an appropriate balance and diversity of skills, experience, knowledge and independence both now and in the future.

Scope and Objectives of the Committee

The Nomination and Governance Committee acknowledges the importance of diversity and promoting equal opportunities throughout the Company. The Nomination and Governance Committee leads the process for Board appointments, re-election and succession of Directors, as well as making recommendations for the membership of the Board's main committees. It is also responsible for succession planning for the Group.

The Committee firmly believes that the current composition represents a strong, well balanced and diverse Board. The Board membership is made up of specialists in accounting, legal, engineering and architectural, possessing considerable knowledge, experience and skills to meet the current and future requirements of the Group.

The Committee from time to time reviews the composition of the Board with particular regard to ensuring that there are an appropriate number of Directors on the Board.

Key Roles and Responsibilities of the Committee

In accordance with its terms of reference, the Nomination and Governance Committee responsibilities include the following:

- Determination of the Board's structure, size and composition;
- Determination of the skills, experience and knowledge of the Board, and identifies candidates to fill Board vacancies and enhance its capability;
- Succession planning for Directors and other senior executives, taking into account the challenges and opportunities facing the business, and the skills and expertise therefore required on the Board for the future;
- Establishing the time commitment required from Non-executive Directors;
- Determination of the leadership needs of the organization, both Executive and Non-executive, with a view of ensuring the continued ability of the organization to compete effectively in the market place; and
- Observing strategic issues and commercial changes affecting the Group and the market in which it operates.

Meeting Attendence

Name of Member	9th Feb 2026
Mr. S M S S Bandara	✓
Mr. A M Iddamalgoda	✓
Mr. T J Ondaatjie	✓

Conclusion

The committee is satisfied that the combined expertise and knowledge of the Board is sufficient to effectively discharge its duties and responsibilities.

Compliance with CSE's New Listing Rules - Section 9.11 Rules on Nomination Committee

Listing Rule	Governance Principle	Description	Compliance	Compliance Details
9.11.4 (1)	Composition	(a) Comprise of a minimum of three (03) Directors of the Listed Entity, out of which a minimum of two (02) members shall be Independent Directors of the Listed Entity. (b) not comprise of Executive Directors of the Listed Entity.	Complied	The committee consists of two Non-Executive Independent Directors and one Non – Executive Non- Independent Director The committee does not comprise any of Executive directors
9.11.4 (2)		An Independent Director shall be appointed as the Chairperson of the Nominations and Governance Committee by the Board of Directors.	Complied	Chairman of the Nomination & Governance Committee is an independent non-executive director.
9.11.4 (3)		The Chairperson and the members of the Nominations and Governance Committee shall be identified in the Annual Report of the Listed Entity.	Complied	Refer to the Nomination & Governance Committee Report in this document.
9.11.5 (i)	Functions	Evaluate the appointment of Directors to the Board of Directors and Board Committees of the Listed Entity. However, a member of the Nominations and Governance Committee shall not participate in decisions relating to his/her own appointment.	Complied	The Nominations and Governance Committee evaluates and makes recommendations regarding the appointment of Directors to the Board and Board Committees, ensuring that appropriate skills, experience and qualifications are considered. Members do not participate in decisions relating to their own appointments.
9.11.5 (ii)		Consider and recommend (or not recommend) the re-appointment/re-election of current Directors taking into account; • the combined knowledge, experience, performance and contribution made by the Director to meet the strategic demands of the Listed Entity and the discharge of the Board's overall responsibilities; and, • the number of directorships held by the Director in other listed and unlisted companies and other principal commitments.	Complied	The Nominations and Governance Committee considers and makes recommendations regarding the re-appointment or re-election of Directors, taking into account their knowledge, experience, performance, contribution, overall Board responsibilities, directorships in other companies and other principal commitments.
9.11.5 (iii)		Establish and maintain a formal and transparent procedure to evaluate, select and appoint/re-appoint Directors of the Listed Entity.	Complied	The Nominations and Governance Committee maintains a formal and transparent process for the evaluation, selection and appointment or re-appointment of Directors.

Nomination & Governance Committee Report contd.

Listing Rule	Governance Principle	Description	Compliance	Compliance Details
9.11.5 (iv)		Establish and maintain a set of criteria for selection of Directors such as the academic/professional qualifications, skills, experience and key attributes required for eligibility, taking into consideration the nature of the business of the Entity and industry specific requirements.	Complied	The Nominations and Governance Committee establishes and maintains appropriate criteria for the selection of Directors, including academic and professional qualifications, skills, experience and other key attributes relevant to the Company's business and industry.
9.11.5 (v)		Establish and maintain a suitable process for the periodic evaluation of the performance of Board of Directors and the CEO of the Entity to ensure that their responsibilities are satisfactorily discharged.	Complied	The Nominations and Governance Committee oversees a suitable process for the periodic evaluation of the performance of the Board of Directors and the CEO to ensure that their responsibilities are effectively discharged.
9.11.5 (vi)		Develop succession plan for Board of Directors and Key Management Personnel of the Listed Entity.	Complied	The Nominations and Governance Committee oversees the development and maintenance of appropriate succession plans for the Board of Directors and Key Management Personnel.
9.11.5 (vii)		Review the structure, size and composition of the Board and Board Committees with regard to effective discharge of duties and responsibilities.	Complied	The Nominations and Governance Committee periodically reviews the structure, size and composition of the Board and Board Committees to ensure their effective discharge of duties and responsibilities.
9.11.5 (viii)		Review and recommend the overall corporate governance framework of the Listed Entity taking into account the Listing Rules of the Exchange, other applicable regulatory requirements and industry/international best practices.	Complied	The Nominations and Governance Committee reviews and recommends the Company's corporate governance framework, taking into consideration the Listing Rules of the Colombo Stock Exchange, applicable regulatory requirements and recognized industry and international best practices.

Listing Rule	Governance Principle	Description	Compliance	Compliance Details
9.11.5 (ix)		Periodically review and update the corporate Governance Policies / Framework of the Entity in line with the regulatory and legal developments relating to same, as a best practice.	Complied	The Nominations and Governance Committee periodically reviews and updates the Company's Corporate Governance Policies and Framework to ensure alignment with applicable legal and regulatory developments and best practices.
9.11.5 (x)		Receive reports from the Management on compliance with the corporate governance framework of the Entity including the Entity's compliance with provisions of the SEC Act, Listing Rules of the Exchange and other applicable laws, together with any deviations/non- compliances and the rational for same.	Complied	The Nominations and Governance Committee receives and reviews reports from Management on compliance with the Company's corporate governance framework, including applicable provisions of the SEC Act, Listing Rules and other relevant laws and regulations, together with details of any deviations or non-compliances and the reasons therefor.
9.11.6 (a)	Disclosures in the Annual Report	The names of the Chairperson and members of the Committee and the nature of directorships held by such members);	Complied	Refer the Nomination & Governance Committee Report in pages 54 to 59.
9.11.6 (b)		The date of appointment to the Committee;	Complied	Refer the Nomination & Governance Committee Report in pages 54 to 59.
9.11.6 (c)		Whether a documented policy and processes are in place when nominating Directors	Complied	The Company has a documented policy and established processes governing the nomination, evaluation and appointment of Directors to the Board.
9.11.6 (d)		Whether all directors should be required to submit themselves for re-election at regular intervals and at least once in every three (3) years;	Complied	The Company requires Directors to submit themselves for re-election at regular intervals, with each Director being subject to re-election at least once every three years, in accordance with the applicable requirements.
9.11.6 (e)		a disclosure on Board diversity in the range of experience, skills, age, and gender as an essential factor for effective Board performance;	Complied	The Company recognizes Board diversity in terms of experience, skills, age and gender as an important factor contributing to effective Board performance and decision-making, as disclosed in Corporate Governance report.

Nomination & Governance Committee Report contd.

Listing Rule	Governance Principle	Description	Compliance	Compliance Details
9.11.6 (f)		Details to demonstrate effective implementation of policies and processes relating to appointment and reappointment of Directors.	Complied	The Company has established and implemented appropriate policies and processes for the appointment and re-appointment of Directors, with the Nominations and Governance Committee overseeing their effective implementation.
9.11.6 (g)		The following information regarding directors who are re-elected or being proposed for re-election during the year: • Board Committees served on (as a member or Chairperson), • Date of first appointment as a Director, • Date of last re-appointment as a Director, • Directorships or Chairpersonships and other principal commitments both present and those held over the preceding three years in other Listed Entities; and, • Any relationships including close family relationships between the candidate and the directors, the Listed Entity or its shareholders holding more than ten per-centum (10%) of the shares of the Listed Entity.	Complied	Relevant information has been disclosed in Board of Directors report, Corporate Governance Reports and Related Party Transactions Review Committee Reports
9.11.6 (h)		Whether periodic evaluations have been conducted on the performance of the Board of Directors and the CEO of the Entity as specified in Rule 9.11.5 above	Complied	Periodic evaluations of the performance of the Board of Directors and the CEO are conducted in accordance with the applicable requirements and the Company's established evaluation process
9.11.6 (i)		Processes adopted by the Listed Entity to inform the Independent Directors of major issues relating to the Entity;	Complied	The Company has established appropriate processes to ensure that Independent Directors are kept informed of major issues relating to the Company and matters requiring their attention.
9.11.6 (j)		Induction programs/orientation programs conducted for newly appointed Directors on corporate governance, Listing Rules, securities market regulations and other applicable laws and regulations, or an appropriate negative statement;	Complied	The Company provides appropriate induction and orientation to newly appointed Directors covering corporate governance, Listing Rules, securities market regulations and other applicable laws and regulations, where applicable.

Listing Rule	Governance Principle	Description	Compliance	Compliance Details
9.11.6 (k)		Annual update given to existing Directors on Corporate Governance, Listing Rules, securities market regulation and other applicable laws and regulations, or an appropriate negative statement.	Complied	The Company provides appropriate updates to existing Directors on developments relating to corporate governance, Listing Rules, securities market regulations and other applicable laws and regulations, as required.
9.11.6 (l)		A statement that the Directors of the Listed Entity meet the criteria for determining independence.	Complied	The Company confirms that the Directors meet the applicable criteria for determining independence, and the independence of Directors is assessed in accordance with the relevant requirements. Reported in Corporate Governance.
9.11.6 (m)		A statement that the Corporate Governance requirements stipulated under the Listing Rules of the CSE have been met and where the Listed Entity's fail to comply with any provisions of such Rules, a statement explaining the reason for such non- compliance and the proposed remedial action taken for the rectification of such non-compliance.		The Company confirms its compliance with the Corporate Governance requirements stipulated under the Listing Rules of the Colombo Stock Exchange. Any applicable non-compliance is disclosed together with the reasons therefor and the remedial action taken or proposed.

S. Bandara

Mr. S M S S Bandara
Chairman - Nomination and Governance

11th August 2026

Related Party Transactions Review Committee Report

CHAIRMAN

Mr. S M S S Bandara (Chartered Accountant)

Dear shareholder,

I am pleased to present the Related Party Transactions Review Committee Report for the year ended 31st March 2026. This report presents roles and responsibilities and how the Related Party Transactions Review Committee worked towards discharging its duties and responsibilities.

MEMBERS

- Ms. H M S Herath (Chartered Financial Analyst) w.e.f 28.03.2025
- Mr. M K K K B Galagoda (Engineer) w.e.f 27.05.2025

RPT REVIEW COMMITTEE COMPOSITION

Category	Number
Non-Executive Independent Directors	02
Non-Executive Non Independent Directors	01

ROLES AND RESPONSIBILITIES

1. Review all proposed Related Party Transactions (RPT)
2. Ensure the compliance with LKAS 24, CSE listing rules and other regulatory requirements, in terms of RPT.

PURPOSE OF THE COMMITTEE

The purpose of the Related Party Transactions Review Committee is to review all proposed Related Party Transactions other than those transactions explicitly exempted in conformity with the Listing Rules of the Colombo Stock Exchange and Code of Best Practices on RPT issued by the Securities & Exchange Commission.

The Committee is an entity under the Board of Directors, and was established to enhance corporate transparency and promote fair transactions. The committee is responsible for reviewing related party transactions.

SCOPE AND OBJECTIVES OF THE COMMITTEE

The RPT Review Committee was formed by the Board to assist the Board in reviewing all related party transactions carried out by The Nuwara Eliya Hotels Co. PLC and its subsidiaries to facilitate early adoption of the Code of Best Practice on Related Party Transactions issued by the Securities and Exchange Commission of Sri Lanka (SEC).

- Review all proposed Related Party Transactions of the Company except those explicitly exempted by the code;
- Ensuring the compliance with listing rules and other requirements with regard to the Related Party Transactions;
- Overseeing existing policies and procedures and adopting new policies and procedures to review Related Party Transactions of the Company;
- Determination of the requirement of approval by the Board or Shareholders with regard to Related Party Transactions that are to be entered into by the Company;
- Establishes guidelines for senior management to follow in its ongoing dealings with the relevant related party;
- Make recommendations if there is any potential conflict in any Related Party Transaction.

POLICIES AND PROCEDURES

The Company maintains a Directors' Interest Register and all Directors of the Company have disclosed their interests in other Companies, conforming to the provisions of the Companies Act No. 07 of 2007. Further all Related Party Transactions in accordance with Sri Lanka Accounting Standard 24 – (LKAS 24) – Related Party Transactions are disclosed under note No. 30 to the Financial Statements.

MEETING ATTENDENCE

Directors	27th May 2025	12th Aug 2025	13th Nov 2025	9th Feb 2026
Mr. S M S S Bandara	✓	✓	✓	✓
Ms. H M S Herath	✓	✓	✓	✓
Mr. A M Iddamalgoda	x	-	-	-
Mr. M K K K B Galagoda	-	✓	✓	✓

- Mr. A M Iddamalgoda - ceased to be a member of committee as of 27th May 2025.
- Mr. M K K K B Galagoda - appointed as a member of committee as of 27th May 2025.

ROLES AND RESPONSIBILITIES

The RPTRC is responsible for:

- Reviewing all proposed RPTs.
- Ensuring compliance with LKAS 24, CSE listing rules, and other regulatory requirements.
- Adhering to the CSE's New Listing Rules - Sections 9.14 on RPTs.

CONCLUSION

RPT Review Committee confirms that the RPTRC has reviewed all the Related Party Transactions and communicated the comments and observations to the Board of Directors and has complied with the sections 9.14 of the CSE listing rules.

Compliance with CSE's Listing Rules- Section 9.14, Rules on Related Party Transactions

Listing Rule	Governance Principal	Description	Compliance	Compliance Details
9.14.2	Composition	The Related Party Transactions Review Committee shall comprise of a minimum of three (3) Directors of the Listed Entity, out of which two (02) members shall be Independent Directors of the Listed Entity. It may also include executive directors, at the option of the Listed Entity. An Independent Director shall be appointed as the Chairperson of the Committee.	Complied	The committee consists of two (Majority) independent non-executive directors and a non-executive director. Chairman of the RPT Review Committee is Independent Non-Executive Director.
9.14.3 (1)	Functions	Listed Entities shall have a Related Party Transactions Review Committee which shall be responsible for reviewing the Related Party Transactions as set out herein.	Complied	The company has established the Related party transactions committee which meets on a quarterly basis and meeting minutes are documented by the Company Secretaries.
9.14.3 (2)		The objective of these Rules on Related Party Transactions is to ensure that the interests of shareholders as a whole are taken into account by a Listed Entity when entering into Related Party Transactions. These Rules further provide specific measures to prevent Directors, CEOs or Substantial Shareholders taking advantage of their positions.	Complied	The Company has procedures in place to ensure that Related Party Transactions are identified, reviewed and appropriately dealt with, with due consideration given to preventing Directors, the Chief Executive Officer and substantial shareholders from taking advantage of their positions
9.14.3 (3)		When applying these Rules on Related Party Transactions, the objective and the economic and commercial substance of the Related Party Transactions should take precedence over the legal form and technicality.	Complied	In assessing Related Party Transactions, the Company considers the objective and economic and commercial substance of the transactions, rather than relying solely on their legal form or technical characteristics.
9.14.3 (4)		The Related Party Transactions Review Committee shall establish and maintain a clear policy, procedure and process in place for the identification, clarification and reporting the Related Party Transactions on an end-to-end basis across the Entity's operations.	Complied	The Related Party Transactions Review Committee has established and maintains appropriate policies, procedures and processes for the identification, review, approval and reporting of Related Party Transactions on an end-to-end basis across the Company's operations. Related Party Transactions are monitored and reported in accordance with the applicable regulatory requirements and the Company's established procedures.

Related Party Transactions Review Committee Report contd.

Compliance with the Listing Rules of the Colombo Stock Exchange - Section 9.14.8 - Disclosures in Annual Report

Listing Rule	Description	Compliance	Compliance Details
9.14.8(i)	Non- recurrent Related Party Transactions exceeds 10% of the Equity or 5% of the Total Assets, whichever is lower, should be disclosed in the annual report.	N/A	During the year there were no non-recurrent Related Party Transactions which exceeds 10% of Equity or 5% of Total Assets.
9.14.8 (2)	Recurrent Related Party Transactions exceeding 10% of the gross revenue/income should be disclosed in the annual report.	Complied	Refer the Related Party Transactions Report set out in pages 62-63.
9.14.8 (3)	Related Party Transactions Review Committee Report should contain; • Names of Directors in the Committee • A statement that committee has reviewed the Related Party Transactions and observations communicated to the Board. • Policies and procedures adopted by the Committee for reviewing the Related Party Transactions. • The number of times the Committee has met during the Financial Year	Complied	Refer the Related Party Transactions Report set out in pages 60-62.
9.14.8 (4)	Affirmative statement of the compliance with these Rules pertaining to Related Party Transactions by the Board of Directors.	Complied	Refer the Statement of Directors' Responsibility set out in page 44.

Compliance with the Listing Rules of the Colombo Stock Exchange - Section 9.14.5 - Aggregate value of recurrent related party Transactions

Name of the related party	Relationship	Nature of transactions	Terms of transactions	Transaction Value	Aggregate Value of the RPT as a % of the Net Revenue/Income
Transactions with Subsidiaries - Recurring transactions					
Fair View Hotel (Pvt) Ltd	Subsidiary	Salaries to Staff		(49,531)	0.00%
		Audit Committee Refreshments		(42,117)	0.00%
		Settlements		91,648	
Transactions with other related companies - Recurring transactions					
Security Ceylon (Pvt) Ltd	Other related company	Security services	As per agreement	(22,596,091)	1.00%
		Security staff meals	Cost + Margin	2,248,703	0.10%
		Settlements		22,243,153	
		Dividend paid		-	0.00%
Tangerine Beach Hotels PLC	Other related company	Salaries to staff	Reimbursement of Cost	(154,533)	0.01%
		Telephone charges	Reimbursement of Cost	(31,750)	0.00%
		Subscription	Reimbursement of Cost	(328,625)	0.01%
		Business Promotion	Reimbursement of Cost	(84,219)	0.00%
		Settlements	Reimbursement of Cost	600,488	

Name of the related party	Relationship	Nature of transactions	Terms of transactions	Transaction Value	Aggregate Value of the RPT as a % of the Net Revenue/Income
Tangerine Tours (Pvt) Ltd	Other related company	Salaries to staff	Reimbursement of Cost	(5,239,322)	0.23%
		Travelling Expenses	Reimbursement of Cost	(724,387)	0.03%
		Settlements		5,998,928	
		Revenue from operations	As per agreement	11,512,183	0.51%
		Dividend paid		-	0.00%
Mercantile Investments & Finance PLC	Other related company	Repairs & services to fleet vehicles	Market Terms	(6,513,024)	0.29%
		Rent	Market Terms	(2,312,922)	0.10%
		Salaries to Staff	Reimbursement of Cost	(193,520)	0.01%
		Telephone & Wi-Fi Charges	Reimbursement of Cost	(8,000)	0.00%
		Settlements		9,027,466	
		Fixed deposit made	Market terms	(260,000,000)	11.49%
		Upliftment of fixed deposit	Market terms	125,477,950	5.54%
		Interest income	Market terms	151,558,382	6.70%
		Dividend paid		-	0.00%
Royal Palms Beach Hotels PLC	Other related company	Salaries to staff	Reimbursement of Cost	(686,965)	0.03%
		Settlements		681,876	
		Dividend received			
Mercantile Fortunes (Pvt) Ltd	Other related company	Purchases	Market Terms	(1,168,738)	0.05%
		Settlements		1,119,410	
		Dividend paid		-	0.00%
Nilaveli Beach Hotels (Pvt) Ltd	Other related company	Purchases	Reimbursement of Cost	(25,000)	0.00%
		Settlements		25,000	

Figures in brackets indicates payables

There were no non-recurring related party transactions during the year and all related party transactions have been conducted on an agreed commercial terms on arm's length basis with respective parties.

Transactions with Key Management Personnel

Key management personnel include members of the board of directors of the company and following transactions have been entered into with the key management personnel.

Short - term employee benefits		13,401,400

S. Bandara

Mr. S M S S Bandara
Chairman - RPT Review Committee

11th August 2026

Risk Management

Risk Governance and Culture

At Nuwara Eliya Hotels Company PLC, we view risk management as an essential component of our corporate governance framework. The Board of Directors provides oversight through the Audit Committee, while the operational responsibility lies with the Executive Management. We promote a strong risk-aware culture throughout the organization, encouraging employees to proactively identify, assess, and mitigate risks in alignment with our long-term strategic goals.

In line with industry best practices and our commitment to sustainable operations, we continuously enhance our risk governance structures to respond effectively to an increasingly dynamic operating environment.

Risk Management Framework

Our enterprise risk management (ERM) framework consists of the following stages:

1. Risk Identification – Continuous scanning of internal and external environments
2. Risk Assessment – Evaluation based on impact and likelihood
3. Risk Mitigation – Implementation of response strategies and controls
4. Monitoring and Review – Ongoing review of risk responses and emerging threats
5. Reporting – Regular updates to senior management and the Board

The risk register is reviewed quarterly, and mitigation plans are tracked through defined KPIs, operational audits, and compliance reviews.

Key Risk Categories and Strategic Responses (2025/26)

Risk Category	Description & Impact	Likelihood	Mitigation Strategy
Macroeconomic & Market Risk	Global economic slowdown and local inflationary pressures affecting tourist arrivals and operating costs.	High	Market diversification, dynamic pricing models, cost control initiatives, and promotion of local tourism.
Political and Regulatory Risk	Changes in tax policies, labor laws, or regulatory frameworks impacting operations and compliance.	Moderate	Engagement with regulatory authorities, proactive compliance monitoring, and staff awareness sessions.
Climate and Environmental Risk	Changing weather patterns, water scarcity, and rising energy costs affecting operations in the highland region.	High	Adoption of sustainable practices (water and energy management), ISO 14001 compliance, and eco-certification initiatives.
Operational Risk	Service delivery disruptions due to staff shortages, supply chain issues, or guest dissatisfaction.	High	Cross-training staff, local sourcing, SOP strengthening, and customer feedback integration.
Technology and Cybersecurity Risk	Exposure to data breaches, ransomware, or IT system failures impacting business continuity and guest data.	Moderate	IT policy updates, firewalls, regular penetration testing, data encryption, and cyber-awareness training.
Liquidity and Financial Risk	Volatility in interest rates and exchange rates increasing debt service costs and affecting foreign guest profitability.	Moderate	Foreign currency hedging, prudent cash flow management, and optimizing loan mix (fixed/floating).
Human Capital Risk	Difficulty in attracting and retaining skilled staff, leading to service quality issues.	High	Attractive reward structures, career progression paths, employee engagement programs, and industry benchmarking.
Reputational Risk	Negative reviews, public incidents, or social media criticism impacting brand value.	Moderate	Rapid response protocols, media engagement, continuous service monitoring, and staff training.
Health, Safety & Pandemic Risk	Possible resurgence of health emergencies or disease outbreaks affecting operations and guest confidence.	Low	Enhanced hygiene protocols, contingency planning, health insurance coverage, and training.

Integrated Risk and Sustainability

As part of our commitment to responsible tourism, our risk management approach is integrated with the Company's sustainability strategy. We align with national and global ESG frameworks, environmental stewardship, and social responsibility in operations.

Conclusion

The Board remains committed to a robust risk governance culture that safeguards stakeholder interests and ensures business continuity. As we continue navigating external challenges and leveraging growth opportunities in the tourism sector, our focus remains on resilience, sustainability, and value creation.

Financial Capital

Financial capital represents the resources available to the Group to create sustainable value for shareholders and other stakeholders.

During the year under review, the Group continued to strengthen its financial position through disciplined financial management, operational resilience and prudent allocation of resources.

Balance Sheet performance

The Group continued to strengthen its financial position during the year, with total assets increasing by 11% to Rs. 9.11 billion, reflecting continued investment in the business and the appreciation of the Company's asset base. Total equity grew by 13% to Rs. 7.41 billion, demonstrating sustained value creation and a solid capital foundation to support future growth.

Current assets increased by 21% to Rs. 3.80 billion, primarily driven by improved working capital management and enhanced liquidity. Total earnings rose by 24% to Rs. 4.57 billion, underpinned by stronger operating performance and improved business momentum. These results reinforce the Group's financial resilience and its ability to support strategic investments while maintaining a sound balance sheet.

Key Indicators	2025/26 Bn	2024/25 Bn	Change %
Total Assets	9.11	8.23	11%
Total Earnings	4.57	3.70	24%
Total Equity	7.41	6.57	13%
Current Assets	3.80	3.13	21%

The Group's balance sheet ratios continued to reflect a strong and stable financial position during the year. Both the current ratio and quick ratio improved by 13% to 7.66 and 7.50, respectively, demonstrating robust liquidity and the Company's ability to comfortably meet its short-term obligations.

The debt to equity ratio is just 0.006 respectively, reflecting prudent debt management and a conservative capital structure with reduced financial leverage. Correspondingly, the equity ratio improved to 0.81, underscoring the significant proportion of assets financed through shareholders' funds and reinforcing the Company's long-term financial stability.

Net asset value per share increased by 13% to Rs.3,285, highlighting continued growth in shareholder value and the strength of the Group's underlying net assets.

Key Balance sheet Ratio	2025/26	2024/25	%
Current Ratio	7.66	6.77	13%
Quick Ratio (Acid Test)	7.50	6.64	13%
Debt to Equity Ratio	0.006	0.002	150%
Debt Ratio	0.19	0.20	-8%
Equity Ratio	0.81	0.80	2%
Net Asset Value per share	3,285	2,904	13%

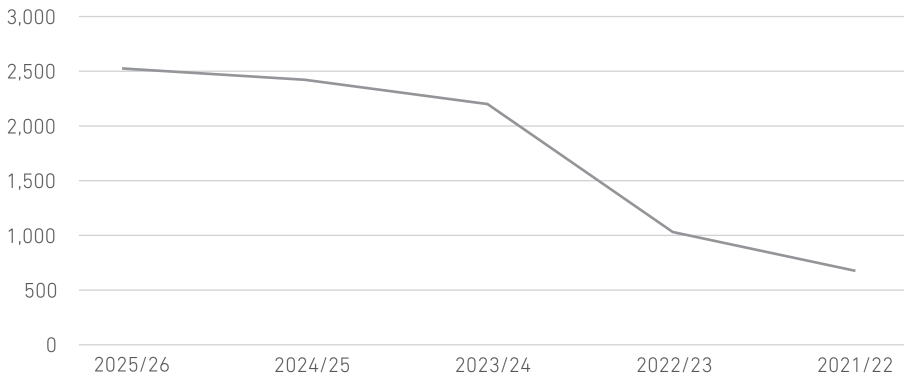
Revenue Growth

The Group maintained its positive growth trajectory during the year, with revenue increasing to Rs. 2.45 billion from Rs. 2.36 billion in the previous year. This sustained growth reflects the continued recovery of the hospitality sector, improved occupancy levels, and the Company's focus on enhancing guest experiences and optimizing its revenue streams.

Over the past five years, revenue has demonstrated a consistent upward trend, rising from Rs. 645.5 million in 2021/22 to Rs. 2.45 billion in 2025/26. This performance underscores the Group's resilience, strengthened market position, and ability to generate sustainable growth despite evolving market conditions.

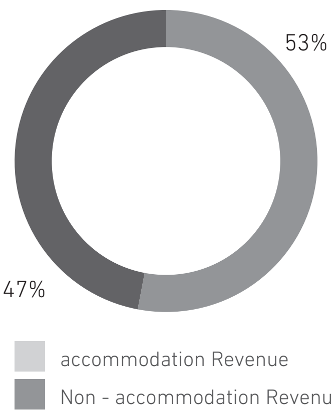
Year	2025/26	2024/25	2023/24	2022/23	2021/22
Revenue	2,450,197,067	2,355,664,945	2,132,294,753	996,413,390	645,546,523

Revenue
(000s)

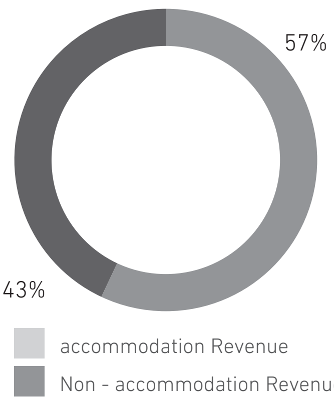


Financial Capital contd.

2025/2026



2024/2025



Profitability

The Group delivered another year of resilient financial performance, with profitability improving across all key measures. Gross profit increased by 7% to Rs. 2.03 billion, while operating profit and EBIT grew by 5% to Rs. 1.02 billion and Rs. 871.7 million, respectively, reflecting effective cost management and improved operational efficiency.

Profit before tax increased by 8% to Rs. 1.16 billion, while profit for the year rose by 6% to Rs. 812.4 million. Consequently, earnings per share improved by 6% to Rs. 365.64, demonstrating the Group's continued ability to generate sustainable returns and enhance shareholder value through consistent financial performance.

For year ended 31st	2025/26	2024/25	Change %
Gross profit	2,034,974,986	1,902,361,397	7%
Operating profit	1,025,892,867	973,465,115	5%
EBIT	871,792,986	831,810,965	5%
PBT	1,163,410,366	1,076,084,491	8%
Profit for the year	812,408,252	762,884,978	6%
EPS	365.64	344.92	6%

Cashflow and Liquidity

	2025/26	2024/25
Cash generated from operations	1,166,835,223	884,931,582.00
Net cash from operating activities	737,771,535	574,974,290.15
Net cash used in investing activities	811,298,448.00	538,774,510.75
Net increase in cash and cash equivalents	(73,526,913)	36,199,780.30
Cash and cash equivalents at the end of the year	54,926,126.27	91,279,700.82

The Group generated Rs. 1.17 billion in cash from operations during the year, reflecting the strength of its core business activities and improved operating performance. Net cash generated from operating activities increased to Rs. 737.7 million, providing a solid foundation to support the Group's investment requirements and ongoing operations.

Net cash used in investing activities amounted to Rs. 811.3 million, demonstrating the Company's continued commitment to strategic capital investments and long-term value creation. As a result, cash and cash equivalents at the end of the year stood at Rs. 54.9 million. Despite the higher level of investment during the year, the Group maintained a strong liquidity position, supported by robust operating cash flows and prudent cash management practices.

Finance Income and Expenses

Finance Income & Expenses	2025/26	2024/25
Interest Income on Short Term Deposits	240,454,962	228,857,208
Gain on foreign currency exchange - Unrealized	37,173,338	-
Net change in fair value of financial assets	14,625,423	16,414,971
Total Finance Expense	636,343	998,653

The Group continued to maintain a healthy net finance position during the year, supported by strong finance income and minimal borrowing costs. Total finance income increased to Rs. 292.2 million, primarily driven by higher interest income of Rs. 240.5 million, reflecting effective treasury management and prudent deployment of surplus funds.

The fair value gain on financial assets amounted to Rs. 14.6 million, further contributing to finance income. Meanwhile, finance expenses remained negligible at Rs. 0.6 million, underscoring the Group's low gearing and conservative financing strategy. The resulting strong net finance income continued to enhance the Group's overall profitability and financial resilience.

Human Capital

Human capital represents the knowledge, skills, commitment and wellbeing of employees who contribute towards the Group's success.

The hospitality industry is built on service excellence, and the Group recognizes employees as a key driver of value creation. The Group continues to develop employee capabilities, strengthen service standards and foster a workplace culture based on professionalism and continuous improvement.

Human Resource

Our employees remain at the heart of the Group's success, delivering exceptional hospitality experiences while driving operational excellence. As at the end of the financial year, the Group employed 446 individuals, comprising 71 executive and 375 non-executive employees, reflecting a workforce with a balanced mix of leadership capability and operational expertise.

Staff	Executive	Non-Executive	Total
Male	62	303	365
Female	9	72	81
Total	71	375	446

The Group is committed to fostering an inclusive and diverse workplace that values equal opportunity, mutual respect, and professional development. Our workforce comprises 365 male and 81 female employees across a broad range of functions, contributing varied skills and perspectives that support sustainable business performance.

Staff	No of Staff	%
Below 30	176	39%
31-40	71	16%
41-55	155	35%
56 and above	44	10%
Total Staff	446	100%

The age profile of our employees reflects a healthy balance of experience and emerging talent. Employees below the age of 30 represent 39% of the workforce, while 35% are between 41 and 55 years, ensuring the Group benefits from both innovation and extensive industry knowledge. This balanced demographic supports effective succession planning and the long-term sustainability of the organization.

Diversity indicators

18% of Female Representation in work force

69% Employee Retention for 2025/26

51% of Local Communities Representation in work force

400 Staff at Grand Hotel

46 Staff at Fairview Hotel

Number of employees provided with training and internship opportunities - 16

Number of employees who are persons with special needs - 02

Employee Benefits & Rewards

The Group remains committed to enhancing employee well-being through competitive remuneration, comprehensive welfare initiatives, and a supportive work environment. During the year, total staff benefits increased by 30% to Rs. 483.6 million, reflecting the Company's continued investment in its people and its recognition of their contribution to organizational success.

	2025/26	2024/25	Increased
Total Staff Benefits (Excluding food cost)	483,573,412	372,380,665	30%

Human Capital contd.

In addition, staff food benefits increased by 10% to Rs. 61.4 million, reinforcing the Group's commitment to employee welfare.

	2025/26	2024/25	Increased
Staff Food Cost	61,390,623	55,822,608	10%

The Group's employee welfare framework extends beyond statutory benefits through a range of financial assistance schemes administered by the Welfare Society and the Provident Fund Association.

Distress Loan	The loan is being provided by the Welfare Society. Welfare Society representatives estimate the damage to the house caused by a disaster and give an interest-free loan up to maximum amount of Rs. 30,000.00
Welfare Loan	This is a Rs.20,000.00 loan provided by the Welfare Society to the staff who completed 06 months of services recovered by 10 equal installments.
PPF Loan	The Provident Fund Association issue the loan. The minimum amount from the three months' pays or 40% of the available PPF balance will be used to determine the amount.

Skills development and training

The Group recognizes that continuous learning is fundamental to delivering exceptional hospitality experiences and sustaining long-term business success. During the year, investment in employee training increased by 25% to Rs. 4.46 million, reaffirming the Company's commitment to developing a competent, customer-focused, and future-ready workforce

	2025/26	2024/25	Increased
Staff Training Cost	4,458,607.5	3,564,304.75	25%

A total of **15,538 training hours** were delivered across departmental and general training programs, averaging **34.83 training hours per employee.** These initiatives focused on enhancing technical expertise, operational excellence, service quality, leadership capabilities, and compliance awareness, enabling employees to continuously strengthen their skills while supporting the Group's strategic objectives and service standards.

Training Hours			
Period	**Departmental**	**General**	**Total**
Q1	1,547	3,087	4,634
Q2	1,887	2,668	4,555
Q3	1,585	1,068	2,653
Q4	1,175	2,521	3,696
Total	**6,194**	**9,344**	**15,538**

Training Hours per employee	**34.83**

Performance-driven culture

The Group fosters a performance-driven culture that empowers employees to contribute meaningfully to operational excellence and sustainable value creation. Through clear performance expectations, continuous development, and recognition of individual and team contributions, the Company promotes accountability and a culture of continuous improvement across all levels of the organization.

The effectiveness of this approach is reflected in improved productivity indicators during the year. Revenue per employee increased to Rs. 5.49 million, while operating profit per employee rose to Rs. 2.3 million, demonstrating enhanced workforce productivity and the positive contribution of our people to the Group's financial performance. These outcomes reinforce the strong alignment between employee performance and the Company's strategic and operational objectives.

	2025/26	2024/25
Revenue Per Employee	5,493,715.40	5,076,864.11
Operating Profit per Employee	2,300,208.22	2,097,985.16

Manufactured Capital

Manufactured capital represents the physical assets and infrastructure that enable the Group to deliver exceptional hospitality experiences.

The Group's properties, facilities and operational infrastructure remain the foundation of its service delivery model. Continued investment was made towards maintaining and enhancing hotel facilities, equipment and operational assets.

The Group maintained a significant asset base, with property, plant and equipment amounting to Rs. 4.87 billion as at 31 March 2026. Investments supported improvements in operational facilities, guest areas and supporting infrastructure.

Non-Current Assets	Value
Property, plant and equipment	4,877,910,142
Right-of-use assets	2,800,000
Intangible assets	15,808,749
Biological assets	2,824,235
Investment in subsidiary	-
Other non-current financial assets	403,509,056
Total Non-Current Assets	**5,302,852,182**

Enhancing guest experience through improved infrastructure and upgrading of facilities

Barnes Restaurant – 199 million

The Group continued to invest in infrastructure that enhances both guest satisfaction and employee capability. During the year, Rs. 199 million was invested in the refurbishment and enhancement of the Barnes Restaurant, strengthening the Company's food and beverage offering while elevating the overall guest experience through modernized facilities and improved service environments.

New Training Center – 53.6 million

Recognizing that exceptional guest experiences begin with well-trained employees, the Group also invested Rs. 53.6 million in establishing a new Training Centre. The facility provides a dedicated environment for continuous learning, technical skills development, and leadership training, reinforcing the Group's commitment to developing a highly skilled workforce capable of delivering consistent service excellence.

Energy efficiency initiatives

The Group remains committed to improving energy efficiency by promoting the responsible use of resources and implementing energy conservation measures across its operations. During the year, electricity consumption recorded a marginal increase of 5%, reflecting higher operational activity, while consumption of other energy sources was successfully reduced.

Targeted efficiency initiatives contributed to reductions in LPG (9%), diesel (11%), petrol (12%), and wood logs (35%) compared to the previous year. These improvements demonstrate the Group's ongoing commitment to reducing its environmental footprint through optimized resource utilization, operational efficiencies, and sustainable energy management practices.

Indicator	Usage % compared to last year
Purchased Electricity	5%
LPG	[9%]
Diesel	[11%]
Petrol	[12%]
Wood logs	[35%]

Natural Capital

Natural Capital

Natural capital represents the environmental resources and ecosystems that support the Group's operations and the tourism industry.

As a hospitality organization operating within a sensitive natural environment, the Group recognizes the importance of responsible resource management and environmental stewardship.

The Group continues to improve environmental performance through efficient resource utilization, responsible operations and sustainable practices.

Habitats protected or restored

Consultative discussions with management, led to measures being taken to announce that certain areas of the land be converted and preserved as forests without a hotel or any other commercial activity. This allocated area is situated at the foot of Single Tree Forest.

Forest Patches protected by Grand Hotel Nuwara Eliya

Protecting surrounding ecosystems & Sustainable Tourism

Blessed with favorable soil conditions and a climate that supports rich biodiversity, the property is home to mature trees, ranging in age from 10 to 100 years and in height from 15 to 120 feet. Continuing the long-standing tradition of nurturing and conserving plant life around human settlements, the hotel has undertaken efforts, planting varieties having medicinal and herbal value. These initiatives contribute to enhancing local biodiversity, strengthening ecosystem resilience, and promoting environmental sustainability.

Dominant Tree Species at Grand Hotel Premises

- Cupressus macrocarpa
- Magnolia grandiflora
- Prunus persica
- Prunus cerasoides
- Cyathea crinite
- Araucaria columnaris
- Camellia japonica

All development programs initiated have been carefully executed in order to ensure that no new areas have been cleared or polluted for development. The Cloud Forest left as virgin habitats for endemic plants and animals and home to endemic birds such as the Yellow Eared Bul, Hill White Eye and Dull Blue Flycatcher, with the Pigmy Lizard, Horned Lizard, Black Cheek Lizard.

Name	Category
Zosterops ceylonensis	Endemic to the montane regions of Sri Lanka
Pycnonotus penicillatus	Endemic montane passerine of Sri Lanka,
Columba torringtoniae	Endemic to Sri Lanka's montane forests.
Gallus lafayettii	Endemic
Myophonus blighi	Endemic to Sri Lanka's central highlands
Gracula ptilogenys	Endemic
Phylloscopus nitidus	Migratory bird
Eumyias sordidus	Endemic
Haliaster indus	Migratory
Culicicapa ceylonensis	Endemic to Sri Lanka

Reducing energy and water consumption

The company continued to strengthen its environmental stewardship by implementing initiatives aimed at improving resource efficiency and reducing its environmental footprint. Water conservation measures resulted in mains water consumption decreasing by 2**8% to 17,038 m^3**, while average water consumption per guest night reduced by **21% to 0.34 m^3**, demonstrating more efficient water utilization despite sustained operational activity.

Indicator	Units	2025/26	2024/25	Annual % Change
Mains water	m3	17,038.00	23,649.00	[28%]
Mains Water	tCO_2e	0.27	0.35	[23%]
Ave. consumption per guest night	m^3	0.34	0.43	[21%]
Total Water Emissions	tCO_2e	0.27	0.35	[23%]
Water Intensity	m^3/GN	0.34	0.43	[20%]

These initiatives also contributed to a 23% reduction in water-related greenhouse gas emissions, with water intensity improving to **0.34 m^3 per guest night.** In parallel, the Group enhanced its energy efficiency by reducing the consumption of **LPG (9%), diesel (11%), petrol (12%),** and **wood logs (35%),** while the modest 5% increase in purchased electricity reflected higher occupancy and operational demand. Collectively, these outcomes demonstrate the Group's commitment to responsible resource management and continuous improvement in environmental performance.

Energy	Usage % compared to last year
Purchased Electricity	5%
LPG	[9%]
Diesel	[11%]
Petrol	[12%]
Wood logs	[35%]

Natural Capital contd.

The company adopts responsible waste management practices to minimize environmental impacts and promote the efficient use of natural resources. Through the operation of its on-site Sewage Treatment Plant (Minimizing waste generation8,700 m^3/year TP), wastewater is effectively treated and reclaimed for non-potable applications, supporting the principles of resource recovery.

Waste management Indicator	Value
STP output at 100% occupancy	45 m^3/day
Average reclaimed water generated (depend on the occupancy)	24 m^3/day
Average annual reclaimed water used for gardening	8,700 m^3/year

The STP has the capacity to treat up to **45 m^3 of wastewater per day** at full occupancy, generating an average of **24 m^3 of reclaimed water per day,** depending on occupancy levels. During the year, approximately 8,700 m^3 of reclaimed water was utilized for landscape irrigation, reducing the demand for freshwater while contributing to sustainable water management across the property.

Carbon footprint

The company continued to strengthen its climate stewardship by implementing energy efficiency and emission reduction initiatives across its operations. These efforts resulted in a 30% reduction in total greenhouse gas emissions to 1,596.70 tCO_2e, demonstrating meaningful progress towards lowering the Company's environmental footprint.

Scope	Units	2025/26	2024/25	Annual % change
Scope 1	tCO2e	632.45	658.96	-4%
Scope 2	tCO2e	964.25	1,606.12	-40%
Total Emissions	tCO2e	1,596.70	2,265.08	-30%
Emission Intensity	kgCO2e/GN	32.12	41.08	-22%

Direct emissions **(Scope 1)** decreased by **4% to 632.45 tCO_2e,** while indirect emissions from purchased electricity **(Scope 2)** reduced significantly by **40% to 964.25 tCO_2e.** Consequently, emission intensity improved by **22% to 32.12 $kgCO_2e$ per guest night,** reflecting enhanced carbon efficiency and the company's commitment to responsible environmental management and sustainable hospitality operations.

Intellectual Capital

Intellectual capital represents the knowledge, systems, processes, brands and relationships that enable the Group to create competitive advantage. The Group's long-standing presence in hospitality has created valuable organisational knowledge, customer relationships and service capabilities. These strengths support the delivery of consistent guest experiences.

During the year under review, we continued to strengthen our operational excellence through enhanced internal processes, knowledge sharing, digital enablement, and disciplined management systems. Standardized operating procedures, robust financial controls, and governance frameworks support consistency across our operations while ensuring compliance with regulatory requirements and industry best practices.

Our investment in technology and process improvements supports efficient operations through integrated property management, financial reporting, reservation, and information management systems, enabling timely decision-making, improved guest service, and stronger internal controls. We also encourage a culture of continuous learning and innovation by evaluating guest feedback, market trends, and stakeholder insights to identify opportunities for service enhancement and operational efficiency.

Awards & Achievements

The Company's commitment to excellence is further demonstrated through internationally recognized certifications and prestigious industry accolades. During the year, the Company was honored with the Silver Award at the Presidential Environment Awards 2025, recognizing its commitment to environmental stewardship and sustainable business practices. The Company also successfully obtained Travelife Gold Certification for Accommodation Sustainability for the period 2025–2027, reaffirming its dedication to responsible tourism and internationally accepted sustainability standards.

Winner of Silver Award from the Presidential Environment Awards 2025

Further strengthening our management systems, the Company maintained certification to ISO 9001:2015 – Quality Management System (2025–2028) and ISO 14001:2015 – Environmental Management System (2025–2028), while successfully obtaining ISO 22000:2018 – Food Safety Management System Certification (2026–2029). These internationally recognized certifications reflect our disciplined approach to quality, food safety, environmental management, risk mitigation, and continual improvement, providing confidence to guests and other stakeholders regarding the consistency and reliability of our operations.

Travelife Gold Certified for Accommodation Sustainability (2025-2027)

ISO 22000:2018 – Food Safety Management System Certified (2026-2029)
ISO 14001:2015- Environmental Management System Certified (2025-2028)
ISO 9001:2015 – Quality Management System Certified (2025-2028)

Our governance framework complements these management systems by promoting accountability, ethical business conduct, effective risk management, and informed decision-making. Clearly defined policies, delegated authorities, and internal control mechanisms support sustainable business performance while safeguarding the Company's reputation and long-term value.

Knowledge retention and organizational learning remain key priorities. Cross-functional collaboration, employee development initiatives, and the sharing of best practices enable us to preserve institutional knowledge while strengthening succession planning and organizational resilience. These initiatives ensure that the expertise developed over decades continues to support innovation and sustainable growth.

By continuously strengthening our knowledge base, enhancing operational capabilities, maintaining internationally recognized standards, and embedding a culture of excellence throughout the organization, The Nuwara Eliya Hotels Company PLC remains well positioned to respond to changing market dynamics, exceed guest expectations, and create sustainable value for all stakeholders.

(Executive chef Augustus Lowe- Platinum Distinguished Chef for gastronomic excellence year 2025 - awarded from NIO International organization)

Intellectual Capital contd.

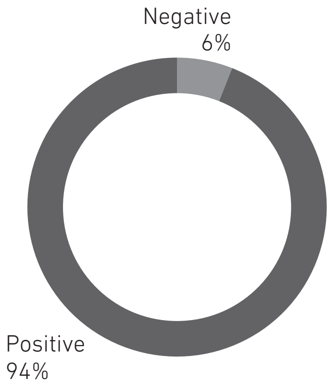
(Executive pastry chef- Viraj Jayarthne, designated as Area vice precedent for Nuwara Eliya, Ella and Badulla regions, from the Chefs Guild of Lanka (2025/2026))

(Junior Sous chef -Thanuka Wijekoon and Commis chef Rasindu Dissanayake, won 1st place of Nestle Golden Chefs Hat competition 2025 in Kandy/Nuwara Eliya regions and participated all island competition)

Strengthening brand reputation and customer experience & satisfaction

Our brand reputation continues to be one of the Company's most valuable intangible assets, built through consistent service excellence, operational reliability, and meaningful guest experiences. We continuously monitor guest feedback across multiple channels to better understand customer expectations and identify opportunities for continuous improvement. During the year under review, guest satisfaction remained exceptionally strong, with 94.0% of reviews reflecting positive experiences, while 5.7% were negative and only 0.3% represented mixed feedback. These results demonstrate the effectiveness of our quality management systems, employee commitment, and customer-centric culture in delivering memorable hospitality experiences.

Guest feedback- 2025/26



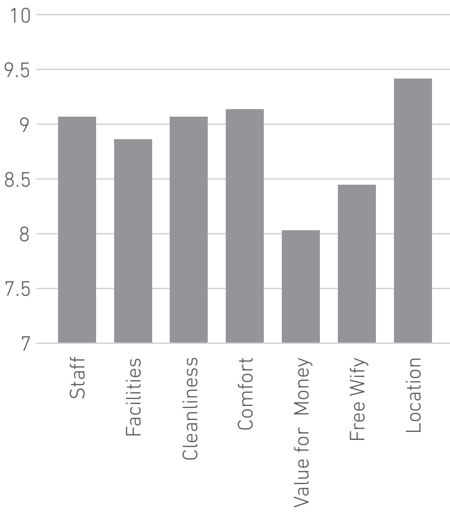
Guest insights are systematically analyzed and translated into service enhancements, operational improvements, and staff development initiatives, ensuring that customer feedback remains an integral part of our decision-making process. By continually strengthening our brand reputation and enhancing the guest experience, we reinforce customer loyalty, improve market competitiveness, and create long-term value for our shareholders and other stakeholders.

Online reputation indicators

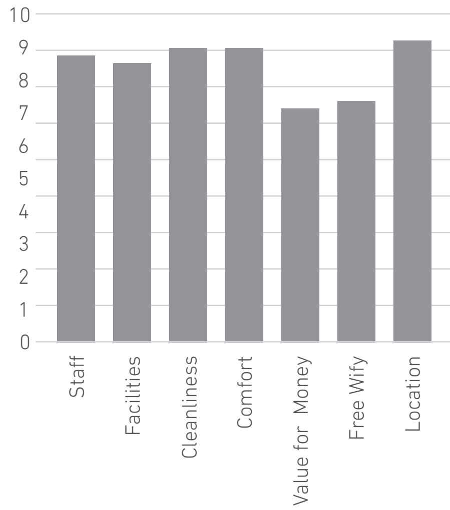
Our commitment to service excellence is reflected in the Company's strong online reputation across leading global travel platforms. During the year under review, the Company maintained consistently high guest ratings, demonstrating the effectiveness of our quality management systems and customer-centric approach.

Guest ratings on Booking.com improved from 8.4 to 8.8, while Agoda ratings increased from 8.4 to 8.7, reflecting enhanced guest satisfaction and continuous improvements in service delivery. The Company's rating on Expedia remained strong at 8.8, demonstrating consistency in maintaining high service standards. Meanwhile, the Tripadvisor rating remained at a commendable 4.4 out of 5, compared to 4.5 in the previous year, continuing to reflect a high level of guest confidence despite the highly competitive operating environment.

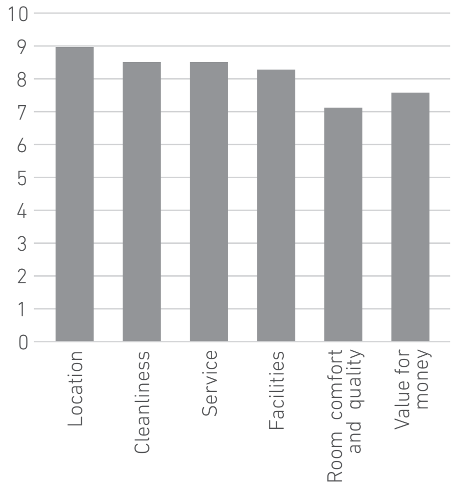
Booking.com 8.8 As at 31st March 2026



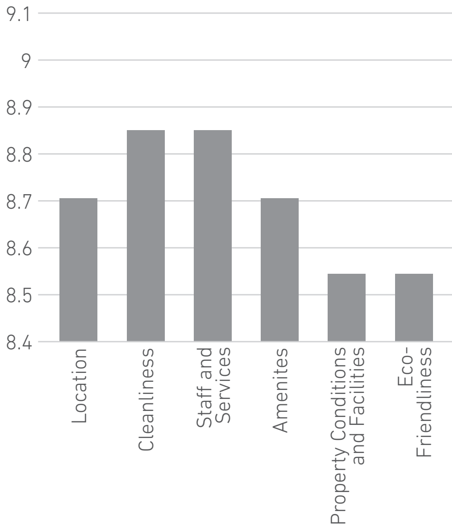
Booking.com 8.4 As at 31st March 2025



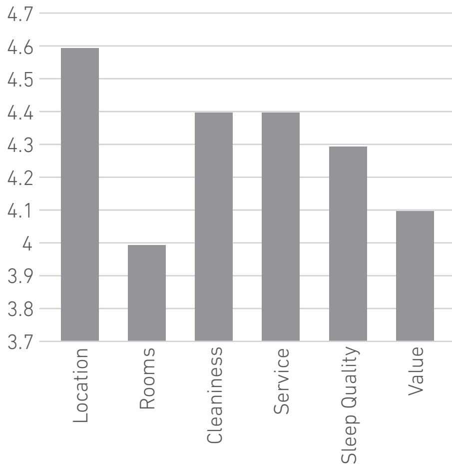
Agoda 8.7 As at 31st March 2026



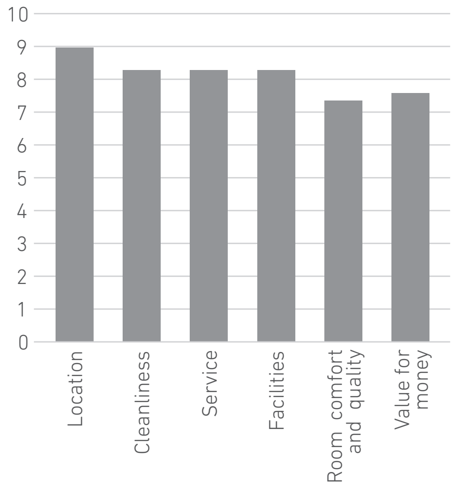
Expedia 8.8 As at 31st March 2026



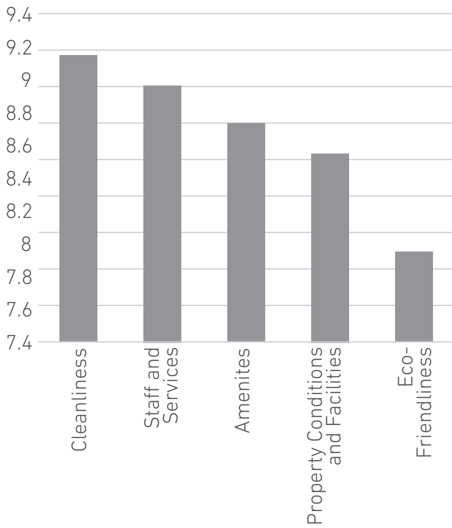
Tripadvisor 4.4 As at 31st March 2026



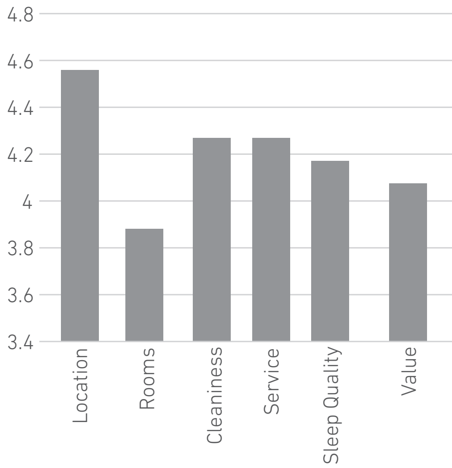
Agoda 8.4 As at 31st March 2026



Expedia 8.8 As at 31st March 2025



Tripadvisor 4.5 As at 31st March 2025



These independently generated ratings, together with an overall 94.0% positive guest review rate, provide valuable insights into customer expectations and reinforce the strength of our brand reputation. Management continuously analyses guest feedback from digital platforms to identify emerging trends, address areas for improvement, and enhance the overall guest experience. This ongoing feedback loop supports innovation, strengthens operational excellence, and contributes to sustainable long-term value creation

Social and Relationship Capital

Social and relationship capital represents the trust and relationships built with guests, communities, business partners, suppliers and stakeholders.

Through responsible business practices, quality service delivery and stakeholder engagement, the Group continues to strengthen its relationships and contribution to the tourism sector.

The Group contributes towards employment generation, tourism development and economic activity within communities.

- Guest relationships and service excellence

Building trusted and enduring relationships with our guests remains central to The Nuwara Eliya Hotels Company PLC's commitment to delivering exceptional hospitality. Through personalized service, consistent quality standards, and continuous engagement, we strive to create memorable experiences that foster guest loyalty and strengthen our reputation as a preferred hospitality destination.

	2025/26	2024/25
Number of Rooms	23,735	25,495
Occupancy	42%	45%

During the year under review, the Company offered 23,735 room nights and recorded an occupancy rate of 42%, compared with 25,495 room nights and an occupancy rate of 45% in the previous year.

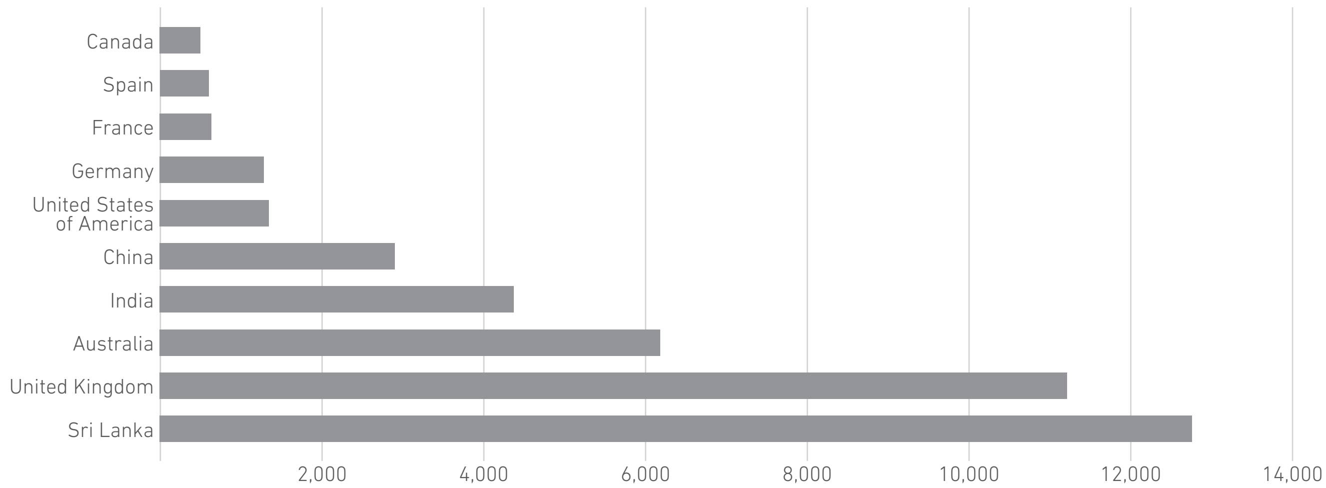
The reduction in occupancy was influenced by several external factors, including the adverse impact of the severe cyclone that affected Sri Lanka towards the end of November 2025, as well as travel disruptions and softer demand arising from geopolitical tensions in the Middle East during March 2026. Despite these challenges, the Company remained focused on maintaining high service standards, operational resilience, and guest satisfaction throughout the year.

The hotel welcomed 49,762 staying guests, comprising 47,718 adults and 2,044 children, compared with 55,134 guests in the previous year. In addition, our food and beverage operations served 238,232 guest covers, demonstrating the continued patronage of both resident and non-resident guests and reinforcing the importance of our dining and event offerings to the overall guest experience.

238,232
Guest covers

Our commitment to guest satisfaction continued to be reflected in customer feedback, with 94% of reviews being positive. The Company also maintained strong ratings across leading online travel platforms. These independent guest assessments demonstrate the confidence placed in our service standards and the dedication of our employees to delivering consistent hospitality experiences.

Guests Country



Guest feedback remains an integral component of our continuous improvement process. By actively listening to our guests, responding to their evolving expectations, and embedding their insights into our operational practices, we continue to strengthen long-term relationships, enhance service quality, and reinforce the Company's brand reputation as a trusted hospitality provider.

	2025/26	2024/25
Number of Stayed Guests – Adult	47,718	51,987
Number of Stayed Guests – Child	2,044	3,147
Total	49,762	55,134

- Responsible supplier partnerships

The Company recognizes that a resilient and responsible supply chain is fundamental to delivering quality hospitality services while creating shared value for local communities and business partners. We are committed to fostering long-term relationships with suppliers based on integrity, transparency, fairness, and mutual growth.

During the year under review, 99% of the Company's supplier base comprised local suppliers (Sri Lankan), reflecting our continued commitment to supporting local enterprises and strengthening regional economic development. In addition, 62% of products and services procured were sourced locally, reinforcing our efforts to minimize supply chain risks, reduce environmental impacts associated with transportation, and promote sustainable local value creation.

921
Active Suppliers

To further strengthen responsible procurement practices, the Company conducts supplier sustainability assessment visits to evaluate suppliers' operational practices, quality standards, environmental performance, and compliance with applicable ethical and regulatory requirements. These engagements promote continuous improvement, encourage responsible business practices throughout the supply chain, and strengthen long-term partnerships built on trust and shared values.

By prioritizing local sourcing and actively engaging with our suppliers, we enhance supply chain resilience, support the livelihoods of local businesses, and contribute to the sustainable development of the communities in which we operate.

Social and Relationship Capital contd.

- Guest feedback measures
- Stakeholder engagement activities

During the year, the Company continued to invest in initiatives that promote teamwork, wellbeing, and a strong sense of belonging. Our annual staff get-together, attended by employees and their families, provided an opportunity to celebrate achievements and strengthen relationships beyond the workplace.

The annual staff trip further encouraged team spirit, collaboration, and employee wellbeing, while the annual Thanksgiving function recognized the collective contribution of our employees to the Company's performance.

Employee recognition remained a key focus through our monthly High flyer program, which celebrates outstanding performance and reinforces our culture of excellence. Each month, awards are presented to the Best Operations Employee and Best Back Office Employee in recognition of their exceptional contribution. In addition, employees who receive the highest number of positive guests mentions and commendations are recognized for consistently delivering memorable guest experiences, reinforcing our customer-centric culture and commitment to service excellence.

The monthly High flyer program also provides an opportunity to celebrate employees' birthdays, fostering a supportive and appreciative work environment that promotes employee morale and strengthens workplace relationships.

By recognizing excellence, encouraging teamwork, and investing in employee wellbeing, we continue to cultivate a highly engaged workforce that supports operational excellence, enhances stakeholder relationships, and contributes to the Company's long-term sustainable success.

SLFRS S1 and S2 disclosures

Voluntary Disclosure under SLFRS S1 & S2 Frameworks

Statement of compliance:
Grand Hotel's SLFRS Sustainability Standards S1 and S2 Disclosures have been prepared in accordance with SLFRS Sustainability Standards S1 and S2 issued by CA Sri Lanka, which is a localized version of the ISSB's Sustainability Standards S1 and S2.

Sources of guidance:
In preparing its sustainability-related financial information, the Group has referred to and considered the following standards.

- SLFRS Sustainability Standards S1
- SLFRS Sustainability Standards S2
- SASB Standard for Hotels and Lodgings

Transition relief:
In preparing this Report, the Hotel has availed the transition relief available to first-time reporters as follows:

- No comparative information is disclosed for SRROs and CRROs for the previous period.
- The entity might still apply the relief to the extent that it does not disclose information about all sustainability-related risks and opportunities that could be reasonably expected to affect the entity's prospects, in accordance with IFRS S1.
- The hotel has adopted a qualitative approach to reporting the current and future impacts of SRROs and CRROs on its financial position, performance and cash flows.
- Entities must initially report only Scope 1 and Scope 2 emissions. Full compliance with Scope 3 emissions, becomes mandatory two years after the initial application date.
- Relief period of two years is granted to apply the requirements from the date of mandatory application to fully comply with climate resilience disclosure requirement.
- If an entity uses a method for measuring its greenhouse gas emissions that is different from the GHG Protocol Corporate Standard in the annual reporting period immediately preceding the entity's date of initial application of IFRS S2, it is permitted to continue using its existing method for the first annual reporting period in which the entity applies IFRS S2.

Sustainability Governance
The Board of Directors of The Nuwara Eliya Hotels Company PLC holds ultimate responsibility for overseeing sustainability impacts on the economy, environment and people, and for assessing sustainability and climate-related risks and opportunities (SRROs/CRROs) that could reasonably be expected to affect Grand Hotel's financial position, performance and resilience over the short, medium and long term.

The Sustainability Steering Committee at The Grand Hotel is responsible for driving and overseeing the implementation of sustainability initiatives throughout the property. The Committee provides strategic guidance, monitors the progress of sustainability programs, and promotes cross-departmental collaboration to embed sustainable practices across all areas of hotel operations.

Governance and oversight are provided by the Board through the Quarterly Audit Committee, which reviews sustainability performance, initiatives, and progress on a quarterly basis.

Sustainability-Related Risks and Opportunities (SRROs) and Climate-Related Risks and Opportunities (CRROs)

The Hotel recognizes that sustainability-related and climate-related matters may influence its ability to create, preserve and realize value over the short, medium and long term. During the reporting period, management conducted an assessment of Sustainability-Related Risks and Opportunities (SRROs) and Climate-Related Risks and Opportunities (CRROs) considering the Hotel's operating environment, stakeholder expectations, regulatory developments, business strategy and the requirements of SLFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and SLFRS S2 Climate-related Disclosures.

The assessment considered both risks and opportunities arising from environmental, social and governance (ESG) factors that could reasonably be expected to affect the Hotel's cash flows, access to finance, cost of capital, reputation, operations and long-term enterprise value. Particular attention was given to climate-related physical and transition risks given the Hotel's exposure to tourism demand, natural resources, energy consumption, regulatory developments and changing customer preferences.

The Group evaluated identified SRROs and CRROs across three-time horizons:

- Short term Immediate to 1–2 years
- Medium term: 3–5 years
- Long term: Beyond 5 years

The assessment considered the likelihood of occurrence and potential financial impacts on operations, assets, revenues, expenditures and strategic objectives. The outcomes of the assessment are integrated into the Group's risk management and strategic planning processes to enhance resilience and support sustainable value creation.

SLFRS S1 and S2 disclosures contd.

Risk matrix

Likelihood	High		Significant	Significant
	Moderate			Significant
	Low			
		Low	Moderate	High
Severity				

Sustainability related risks & opportunities

	Short Term	Medium Term	Long Term	Likelihood	Severity	Criticality
Sustainability related Risks						
Extreme weather conditions	✓			High	High	High
Changes in government regulations, environmental regulations.		✓		High	Moderate	High
Changes in the electricity tariffs, inflation of the diesel and petrol prices due to global crisis	✓			High	Moderate	High
Changes in customer preferences towards low-carbon products		✓		Moderate	Low	Low
Supply chain disruption	✓			Moderate	High	Low
Food Safety Risk	✓			Low	High	High
Sustainability Related Opportunities						
Sustainable services – promoting eco-tourism through newly designed excursions and biodiversity promotions		✓		Moderate	Low	Low
Increased local suppliers	✓			Moderate	Low	Low
Energy efficiency- design new buildings for energy efficiency, newly purchase energy efficient electrical equipment with energy star ratings		✓		High	High	High
Increase staff and guest awareness on energy efficiency	✓			High	High	High
Waste reduction-increased efforts on food waste reduction, divert from landfills, continuously practice 12R system on waste management	✓			High	High	High
Financing opportunities			✓	Moderate	Moderate	Low

Climate related Risks and Opportunities

	Short Term	Medium Term	Long Term	Likelihood	Severity	Criticality
Climate related Risks						
Acute Physical Risks						
Extreme rainfall	✓			Medium	High	High
Landslides disrupting access to hotel	✓			Medium	High	High
Severe weather events		✓		Medium	High	High
Chronic Physical Risks						
Water shortages due to changing rainfall patterns		✓		Low	Medium	Low
Rising temperatures reducing the destination's climatic attractiveness			✓	Medium	High	High
Rising temperatures reducing the destination's climatic attractiveness			✓	Medium	High	High
Biodiversity degradation affecting tourism appeal			✓	Medium	High	Medium
Transition risks						
Climate regulations and disclosure requirements	✓			High	High	High
Energy efficiency and decarbonization investments	✓			High	Medium	High
Sustainable tourism preferences		✓		High	High	High
Climate Related Opportunities						
Energy efficiency improvements		✓		High	High	High
Water conservation initiatives- water-efficient fixtures		✓		High	High	Medium
Waste reduction and circular economy initiatives	✓			High	Medium	Medium
Carbon footprint reduction initiatives			✓	Medium	High	Medium

Current & anticipated effects of Sustainability Related Risks on the entity's Business Model, Value Chain & anticipated financial impact.

Grand Hotel Nuwara Eliya continuously assesses sustainability-related risks that may affect its business model, operations, and value chain. Management has implemented mitigation measures aimed at reducing operational disruptions, enhancing regulatory compliance, improving resource efficiency, strengthening supply chain resilience, maintaining food safety standards, and responding to evolving customer expectations. These initiatives support the hotel's long-term resilience and ability to create value while managing the anticipated financial impacts associated with sustainability-related risks.

Sustainability Risk	Current Effects on Business Model & Value Chain	Anticipated Effects on Business Model & Value Chain	Current & Anticipated Financial Impact
Extreme Weather Conditions	Disruptions to guest arrivals, hotel operations, and supplier deliveries. Increased maintenance and repair requirements.	Greater frequency of severe weather events may affect destination attractiveness, operations, and asset resilience. Increased need for climate adaptation measures.	Result in increased repair, maintenance, insurance, and adaptation costs, capital investments in resilient infrastructure, temporary revenue losses due to lower occupancy, and reduced cash generation during periods of operational disruption.

SLFRS S1 and S2 disclosures contd.

Sustainability Risk	Current Effects on Business Model & Value Chain	Anticipated Effects on Business Model & Value Chain	Current & Anticipated Financial Impact
Changes in Government Regulations / Environmental Regulations	Additional compliance and reporting costs. Operational adjustments required to meet environmental requirements.	Stricter environmental regulations may require investments in energy efficiency, waste management, and emissions reduction initiatives.	Increase compliance, monitoring, certification, and reporting costs and require additional investments in environmental management systems, energy-efficient technologies, and other sustainability-related initiatives.
Changes in Electricity Tariffs and Inflation of Diesel & Petrol Prices	Increased utility, transportation, and procurement costs throughout the value chain.	Continued energy price volatility may increase operating costs and accelerate the transition to renewable energy solutions.	Increase operating and procurement costs, reduce profit margins, require investments in energy-efficiency and renewable energy solutions, and result in higher cash outflows for utilities, fuel, and logistics.
Changes in Customer Preferences Towards Low-Carbon Products and Services	Growing demand for sustainable accommodation and responsible tourism experiences.	Failing to meet sustainability expectations may lose market share, while sustainable operators may gain competitive advantage.	Require investment in sustainability initiatives, certifications, and low-carbon technologies. Failure to meet customer expectations could reduce revenue and occupancy, while successful adaptation could enhance revenue growth, market share, and long-term profitability.
Supply Chain Disruption	Delays and shortages affecting food, beverages, consumables, and maintenance materials. Increased procurement costs.	Greater exposure to climate-related events, geopolitical instability, and logistics disruptions may require supplier diversification.	Increase procurement and inventory costs, require alternative sourcing arrangements, cause operational inefficiencies, and potentially reduce revenue if service delivery is affected.
Food Safety Risk	Risk of contamination incidents affecting guests, reputation, and operations. Additional monitoring and training costs.	Increased customer expectations and regulatory scrutiny may require enhanced food safety management systems and supplier controls.	Result in additional expenditure on food safety systems, training, monitoring, and compliance activities, as well as potential costs associated with claims, penalties, remediation activities, and reputational impacts that could affect future revenue.

Mitigation strategies for Sustainability Related Risks

Grand Hotel Nuwara Eliya is committed to proactively managing sustainability-related risks that may affect its business model, strategy, operations, and value chain. The Hotel has established policies, procedures, and operational controls to identify, assess, monitor, and mitigate material sustainability risks. The mitigation strategies outlined below support the Hotel's objective of maintaining operational resilience, protecting stakeholder value, ensuring regulatory compliance, and strengthening long-term sustainable growth.

Sustainability Risk	Mitigation Strategy
Extreme Weather Conditions	• Conduct regular inspections and preventive maintenance of the hotel's heritage buildings, roofing systems, drainage networks, and landscaped areas to minimize weather-related damage. • Maintain emergency preparedness and business continuity plans for heavy rainfall, landslides, strong winds, and transport disruptions common in the Nuwara Eliya region. • Establish alternative sourcing arrangements with suppliers located in different geographical areas to reduce supply interruptions. • Maintain adequate insurance coverage for property damage and business interruption risks. • Implement water conservation measures during periods of drought or water scarcity.
Changes in Government Regulations and Environmental Regulations	• Monitor developments in tourism, environmental, labor, and sustainability-related regulations through industry associations and regulatory authorities. • Strengthen compliance with environmental permits, waste management requirements, and sustainability reporting obligations. • Conduct periodic internal compliance reviews and staff awareness programs. • Continue implementing environmentally responsible practices aligned with sustainability certification requirements and industry best practices.
Changes in Electricity Tariffs and Inflation of Diesel and Petrol Prices Due to Global Crises	• Continue energy conservation initiatives including LED lighting, energy-efficient kitchen and laundry equipment, and optimized heating systems. • Monitor energy consumption through regular internal audits and efficiency reviews. • Explore expansion of renewable energy solutions where operationally feasible. • Increase procurement from local suppliers to reduce transportation-related fuel costs. • Implement resource efficiency measures to manage utility consumption without compromising guest comfort.
Changes in Customer Preferences Towards Low-Carbon Products and Services	• Expand sustainable hospitality practices, including waste reduction, recycling, responsible water management, and reduction of single-use plastics. • Increase sourcing of local produce and products to support local communities and reduce transportation emissions. • Promote the hotel's sustainability initiatives through marketing communications and guest engagement programs. • Continuously evaluate opportunities to improve environmental performance and maintain alignment with evolving guest expectations.
Supply Chain Disruption	• Maintain relationships with multiple suppliers for key food, beverage, housekeeping, and maintenance requirements. • Prioritize local sourcing from producers and suppliers within the Central Province where feasible. • Maintain appropriate inventory levels for critical consumables and operational supplies. • Periodically assess supplier performance and supply chain risks, particularly during peak tourism seasons and adverse weather conditions. • Develop contingency procurement plans for essential goods and services.
Food Safety Risk	• Maintain and regularly review food safety procedures covering procurement, storage, preparation, and service of food products. • Conducting routine food safety training for kitchen, restaurant, and food handling staff. • Sourcing food products from approved and reputable suppliers that comply with applicable food safety standards. • Monitor food hygiene practices through regular inspections. • Conducting periodic internal audits and corrective action reviews to ensure compliance with food safety requirements and guest health protection & maintaining ISO 22000:2018 Food Safety Standards.

SLFRS S1 and S2 disclosures contd.

Sustainability-Related Opportunities

Grand Hotel Nuwara Eliya recognizes sustainability-related opportunities that can enhance operational efficiency, strengthen its market position, create long-term value, and contribute to sustainable tourism development. The Hotel continues to integrate sustainability considerations into its operations, guest experiences, procurement practices, and investment decisions to capitalize on emerging opportunities.

Sustainability-Related Opportunities, Effects and Financial Impacts

Sustainability Opportunity	Current & Anticipated Effects on Business Model and Value Chain	Anticipated Financial Effects
Sustainable Services – Eco-tourism and Biodiversity Experiences	The Hotel promotes sustainable tourism through curated excursions, nature-based experiences, and biodiversity awareness programs that showcase the unique environmental and cultural heritage of Nuwara Eliya. These initiatives enhance guest experiences, strengthen the Hotel's sustainability positioning, and support local communities and conservation efforts.	Increase occupancy levels, guest satisfaction, repeat visits, and revenue from tourism-related activities. Enhanced brand reputation may improve competitiveness in both local and international tourism markets.
Increased Local Sourcing and Supplier Development	Expanding procurement from local farmers, producers, and service providers strengthens the local economy, reduces transportation-related emissions, and improves supply chain resilience. Local sourcing also enhances the authenticity of guest experiences through locally produced food and products.	Reduce transportation and procurement costs, improve supply chain reliability, and support stable operating margins. Stronger supplier relationships may reduce the financial impacts of supply disruptions.
Energy Efficiency Initiatives	The Hotel incorporates energy-efficient design considerations in new developments and renovations and prioritizes the procurement of energy-efficient equipment with recognized energy performance ratings. These initiatives contribute to lower energy consumption and reduced environmental impact.	Reduce electricity and fuel consumption costs, improve operational efficiency, lower exposure to energy price volatility, and generate long-term cost savings. Initial capital investments may be offset by future operating cost reductions.
Staff and Guest Awareness on Energy Efficiency	Awareness programs encourage responsible energy consumption by employees and guests, fostering a culture of sustainability throughout operations. Improved behavioral practices support resource conservation and operational efficiency.	Contribute to lower utility costs, improved operational performance, and reduced resource consumption without significant capital expenditure.
Waste Reduction and Circular Economy Practices	The Hotel strengthens food waste reduction initiatives, diverts waste from landfill where feasible, and continues to implement the 12R waste management framework. These initiatives support resource efficiency, reduce environmental impacts, and improve operational sustainability.	Reduce waste disposal costs, improve resource utilization, generate cost savings through waste minimization, and enhance the Hotel's sustainability reputation among guests and stakeholders.
Access to Sustainable Financing Opportunities	Demonstrating strong sustainability performance may improve access to green financing, sustainability-linked funding, and other responsible investment opportunities that support future sustainability projects and capital investments.	Provide access to financing at more favorable terms, support investment in sustainability initiatives, improve liquidity flexibility, and reduce the long-term cost of capital.

Climate-Related Risks & Opportunities Disclosure

Grand Hotel Nuwara Eliya recognizes that climate change presents both risks and opportunities that may affect its business model, value chain, financial performance, and long-term sustainability. These include acute and chronic physical risks, as well as transition risks and emerging climate-related opportunities. The Hotel integrates climate considerations into operational planning, infrastructure management, procurement, and sustainability initiatives to enhance resilience and support sustainable tourism development.

Climate-Related Risks

Climate-Related Risk	Current & Anticipated Effects on Business Model and Value Chain	Current & Anticipated Financial Effects
Extreme Rainfall (Acute Physical Risk)	Heavy rainfall is frequent in the region and may disrupt guest arrivals, outdoor activities (gardens, excursions, golf tourism), and transport connectivity. It also affects supplier deliveries from Colombo and surrounding areas.	More frequent revenue volatility due to unpredictable weather patterns; higher recurring repair and infrastructure maintenance costs; increased insurance costs; potential need for capital investment in climate-resilient infrastructure, reducing free cash flows.
Landslides Blocking Access Roads to Nuwara Eliya (Acute Physical Risk)	The hotel is dependent on road access through hill-country routes (e.g., via Kandy/ Hatton). Landslides can block access for guests, staff, and suppliers.	Cause sudden occupancy drops, significant loss of revenue during isolation periods, increased logistics costs, and potential compensation costs for cancellations.
Severe Weather Events (Storms, High Winds, Fog Conditions) (Acute Physical Risk)	Severe weather can affect building integrity (roofing, windows), disrupt power supply, and reduce visibility and transport safety in the region.	Increased repair and restoration costs for a heritage property, business interruption losses, and emergency response expenditure.
Water Shortages (Seasonal and Climate Variability in Highlands) (Chronic Physical Risk)	Although Nuwara Eliya is relatively wet, seasonal variability and growing demand may cause water stress affecting guest services, laundry, kitchens, and landscaping.	Increased water procurement costs, require investment in storage tanks and bore wells, and raise operational costs during shortages.
Rising Temperatures Affecting "Cool Climate" Tourism Appeal (Chronic Physical Risk)	Nuwara Eliya's attractiveness as a "Little England" cool-weather destination may decline with gradual temperature increases, impacting seasonal demand.	Reduced peak-season occupancy, lower room rates in certain periods, and increase marketing and promotion costs to sustain demand.
Biodiversity Degradation (Horton Plains, Tea Estate Ecosystems, Local Flora) (Chronic Physical Risk)	Degradation of surrounding natural attractions may reduce appeal of eco-tourism activities, nature walks, and scenic value of the destination.	Reduced revenue from excursions and F&B tourism demand, impact brand positioning, and require investment in eco-tourism enhancements.
Climate Regulation & Carbon Reporting Requirements (Sri Lanka Tourism Sector) - Transition risk	Increasing expectations from tourism authorities and international tour operators for carbon disclosure and sustainable tourism certification.	Increased administrative and reporting costs, require investment in carbon tracking systems, and sustainability certifications.
Energy Transition Requirements (Hotel Operations in Hill Country Climate)- Transition risk	High energy demand for heating, lighting, and laundry operations may require transition to efficient systems and renewable energy integration.	Significant capital investment requirements for energy transition (solar, efficient HVAC, insulation upgrades); long-term reduction in operating costs; improved cash flow stability through lower energy dependence.
Shift Toward Sustainable Tourism Demand - Transition risk	International tourists increasingly prefer environmentally responsible heritage hotels and eco-certified destinations.	Revenue growth potential from eco-conscious tourists; ability to command premium pricing; or alternatively revenue loss if sustainability expectations are not met, affecting competitiveness and occupancy.

SLFRS S1 and S2 disclosures contd.

Climate Risk Mitigation & Adaptation Strategies

Climate Risk	Mitigation / Adaptation Strategy
Extreme rainfall & severe weather	Strengthen drainage systems around heritage buildings; maintain roof and structural reinforcement; implement seasonal preparedness planning for monsoon periods; ensure emergency response readiness.
Landslides and road access disruption	Maintain buffer inventory of essential supplies; diversify suppliers across multiple regions; coordinate with local authorities and tourism boards for travel advisories; develop guest communication protocols during disruptions.
Water shortages	Install water storage tanks; introduce water-saving fixtures in guest rooms; reuse greywater for gardening; monitor consumption daily.
Rising temperatures	Improve passive cooling in heritage design; use shading in landscaped gardens; enhance indoor climate control systems while maintaining heritage aesthetics.
Biodiversity loss	Partner with local tea estates and conservation groups; promote guided nature-based experiences; support local ecosystem preservation initiatives.
Energy transition	Gradual adoption of solar energy systems where structurally feasible; upgrade to energy-efficient kitchen and laundry equipment suitable for heritage hotels.
Sustainable tourism demand	Develop eco-tourism packages (garden tours, heritage walks, nature excursions); strengthen sustainability branding aligned with international travel operators.

Climate Related Opportunities

Grand Hotel Nuwara Eliya recognizes that climate change not only presents risks but also creates significant opportunities to enhance operational efficiency, strengthen resilience, improve guest experience, and support long-term value creation. Given its location in Sri Lanka's central highlands and its dependence on nature-based tourism, the Hotel is well positioned to benefit from the transition towards low-carbon, resource-efficient, and sustainable tourism practices.

These opportunities are progressively integrated into operational planning, capital investment decisions, and service development strategies.

Climate-Related Opportunity	Current & Anticipated Effects on Business Model and Value Chain	Financial Effects
Energy Efficiency Improvements in Hotel Operations	The Hotel is enhancing energy efficiency across key operational areas including guest rooms, kitchens, laundry, heating systems, and common areas. Upgrades such as energy-efficient lighting, modern systems, smart energy controls, and improved building insulation are particularly relevant due to the cool-climate conditions of Nuwara Eliya, where heating demand is significant. These improvements reduce energy intensity across the value chain and support more efficient use of resources without compromising guest comfort in a heritage hotel setting.	Reduced electricity and fuel consumption leading to lower operating costs; improved operating margins; reduced exposure to electricity tariff volatility; long-term improvement in cash flow stability through sustained energy savings.
Water Conservation Initiatives (Water-Efficient Fixtures and Management Systems)	The Hotel is implementing water-efficient fixtures such as low-flow taps, dual-flush systems, and efficient laundry processes to reduce water consumption across guest services, housekeeping, and kitchen operations. Improved monitoring and management of water use strengthens resilience in the supply chain, particularly during seasonal variability in rainfall that affects water availability in the hill country region.	Lower water procurement and utility costs; reduced dependency on external water supply during periods of scarcity; improved cost predictability; avoidance of potential revenue losses from water-related service disruptions.

Climate-Related Opportunity	Current & Anticipated Effects on Business Model and Value Chain	Financial Effects
Waste Reduction and Circular Economy Practices	The Hotel is strengthening waste management practices through food waste reduction initiatives, improved portion control in F&B operations, segregation of waste at source, recycling of materials, and diversion of organic waste from landfill. These practices enhance operational efficiency across procurement, kitchen operations, and housekeeping while aligning with sustainable tourism expectations of international visitors to Nuwara Eliya.	Reduced waste disposal costs; improved procurement efficiency through reduced food wastage; cost savings from reuse and recycling initiatives; enhanced brand reputation leading to potential increase in occupancy and customer loyalty.
Carbon Footprint Reduction and Sustainable Tourism Positioning	The Hotel is developing and promoting low-carbon tourism experiences, including nature-based excursions, biodiversity-friendly activities, and environmentally responsible guest services. Integration of sustainability into the guest experience strengthens its positioning as a responsible heritage hotel in Nuwara Eliya, aligning with growing demand from international eco-conscious travelers and tour operators.	Increased revenue potential from eco-tourism and sustainability-focused market segments; improved occupancy rates and seasonal demand stability; enhanced pricing power for premium sustainable offerings; potential access to green financing and sustainability-linked funding opportunities for future investments.

Climate related scenario analysis

Scenario	Temperature Increase	Key Assumptions	Operational Impact	Financial Impact	Overall Assessment
Low Impact	+1.5°C	Mild warming, stable tourism patterns	Improved guest comfort, lower heating needs	Slight increase in revenue and margins	Opportunity
Moderate Impact	+2°C	Reduced "cool climate" appeal, some weather variability	Fluctuating occupancy, minor disruptions	Stable or slight decline in profits	Balanced Risk
High Impact	+4°C	Loss of cool-climate positioning, extreme weather events	Lower tourist demand, operational disruptions	Significant decline in revenue and increased costs	High Risk

SLFRS S1 and S2 disclosures contd.

Sustainability Disclosure Topics & Metrics

The Grand Hotel recognizes the importance of transparent and industry-specific sustainability reporting. In line with the Sustainability Accounting Standards Board (SASB) Hotels & Lodging Standard, the hotel discloses material ESG performance indicators relevant to its operations.

According to SASB Standard applicable for hotels & lodging.				
Topic	**Metric**	**Code**	**Unit of Measure**	**Metrics**
Energy Management	Total Energy Consumed	SV-HL-130a.1	GJ	13796.8
	Percentage grid electricity		%	36%
	Percentage renewable		%	0%
Water Management	Total water withdrawn	SV-HL-140a.1	m^3	17,038.00
	Total water consumed		m^3	13,630.40
	Percentage of each in regions with High or Extremely High Baseline Water Stress		%	According to the World Resources Institute Aqueduct Water Risk Atlas, the Hotels' Location-Nuwara Eliya, is characterized by Medium-High overall water stress (20%-40%). As a result, The Grand Hotel's operations are not located in an area of High or Extremely High Baseline Water Stress during the reporting period.
Ecological Impacts	Description of environmental management policies and practices to preserve ecosystem services	SV-HL-160a.2	N/A	The Hotel commits for environmental stewardship and biodiversity conservation through a structured sustainability approach aligned with the principles of ISO 14001 and the requirements of Travelife. Environmental considerations are integrated into daily operations to promote resource efficiency, reduce waste and pollution, protect natural habitats, and support local biodiversity. Through initiatives habitat conservation, sustainable sourcing, and responsible wildlife management, the hotel works to preserve the ecological value of its surroundings while contributing to long-term environmental sustainability. For further information on Environmental Sustainability please refer to page 17 to 22.

According to SASB Standard applicable for hotels & lodging.				
Topic	**Metric**	**Code**	**Unit of Measure**	**Metrics**
Labor practices	Voluntary turnover rate for lodging facility employees	SV-HL-310a.1	%	2.49%
	Involuntary turnover rate for lodging facility employees	SV-HL-310a.1	%	0.20%
	Total amount of monetary losses as a result of legal proceedings associated with labor law violations 1	SV-HL-310a.2	Currency	Nil
	Average hourly wage	SV-HL-310a.3	Currency	124.41
	Percentage of lodging facility employees earning minimum wage, by region	SV-HL-310a.3	%	100%
	Description of policies and programs to prevent worker harassment	SV-HL-310a.4	N/A	Maintain a fair, inclusive, and respectful workplace that upholds internationally recognized human and labor rights. The hotel prohibits all forms of forced labor, child labor, discrimination, harassment, and abuse, while supporting equal opportunity and fair employment practices across its operations. Employees are provided with safe and healthy working conditions, fair compensation, opportunities for professional development, and access to open channels for communication and grievance resolution. Human rights and labor considerations are integrated into the hotel's policies and management practices to support employee well-being, ethical conduct, and responsible business operations.
Climate Change Adoption	Number of lodging facilities located in 100year flood zones	SV-HL-450a.1	Number	

Activity Metrics	Code	Unit of Measure	Metrics
Number of available room nights	SV-HL-000.A	Number	56,210
Average Occupancy Rate	SV-HL-000.B	Rate	42%
Number of Lodging Facilities	SV-HL-000.D	Number	01
Number of lodging facilities and the percentage that are: (1) managed, (2) owned and leased, (3) franchised	SV-HL-000.D	Number	01 – Managed

GHG emissions (tCO2e)

Greenhouse Gas Emissions, disclosed as Scope 1, Scope 2, and are presented in the Environmental Sustainability section (refer pages 17 to 22).

Financial Reports

Independent Auditor's Report

Ernst & Young
Chartered Accountants
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TO THE SHAREHOLDERS OF THE NUWARA ELIYA HOTELS COMPANY PLC

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of The Nuwara Eliya Hotels Company PLC ("the Company") and the consolidated financial statements of the Company and its subsidiary ("the Group"), which comprise the statement of financial position as at 31 March 2026, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at 31 March 2026, and 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. 2,450,197,067/-, as disclosed in Note 05 to the financial statements. The accounting policy for revenue recognition is disclosed in Note 2.4.d to the financial statements. Revenue was a key audit matter due to the materiality of revenue reported for the year; and associated inherent risk.	Our audit procedures included the following key procedures; • assessed whether the Group's accounting policy for revenue recognition has been appropriately applied. • tested the relevant key controls over revenue. Our procedures included testing the general IT control environment. • performed analytical procedures to understand and assess the reasonableness of the reported revenues. • tested revenue transactions to invoices and other supporting documents such as house keeping 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 05 and 2.4.d 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.

Independent Auditor's Report contd.

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 7752.

Ernst & Young

11 August 2026
Colombo

Statement of Profit or Loss
Year ended 31 March 2026

	Note	Group 2026 Rs.	Group 2025 Rs.	Company 2026 Rs.	Company 2025 Rs.
Revenue from contracts with customers	5	2,450,197,067	2,355,664,945	2,263,230,364	2,182,883,362
Cost of sales		(415,222,081)	(453,303,548)	(390,795,641)	(428,606,609)
Gross profit		2,034,974,986	1,902,361,397	1,872,434,723	1,754,276,753
Other operating income	6	24,548,646	19,326,699	24,486,112	19,266,090
Administrative expenses		(589,682,327)	(464,886,568)	(534,839,995)	(416,857,194)
Selling and distribution expenses		(183,235,434)	(190,306,215)	(164,689,588)	(170,078,873)
Other operating expenses		(260,713,004)	(293,030,198)	(221,159,475)	(253,955,571)
Results from operating activities		1,025,892,867	973,465,115	976,231,777	932,651,205
Depreciation and amortization		(154,099,881)	(141,654,150)	(140,129,136)	(129,706,364)
Earnings before interest and tax		871,792,986	831,810,965	836,102,641	802,944,841
Finance expenses	7	(636,343)	(998,653)	(539,924)	(1,769,193)
Finance income	8	292,253,723	245,272,179	263,453,882	223,612,296
Profit before tax	9	1,163,410,366	1,076,084,491	1,099,016,599	1,024,787,944
Income tax expenses	10	(351,002,114)	(313,199,513)	(337,307,665)	(296,283,422)
Profit for the year		812,408,252	762,884,978	761,708,934	728,504,522
Profit attributable to :					
Equity holders of the parent company		799,310,589	754,003,130	761,708,934	728,504,522
Non-controlling interests	17.2.1	13,097,663	8,881,848	-	-
		812,408,252	762,884,978	761,708,934	728,504,522
Basic/diluted earnings per share	11	365.64	344.92	348.44	333.25

Statement of Total Comprehensive Income

Year ended 31 March 2026

	Note	Group 2026 Rs.	Group 2025 Rs.	Company 2026 Rs.	Company 2025 Rs.
Profit for the year		812,408,252	762,884,978	761,708,934	728,504,522
Other comprehensive income					
Other comprehensive income not to be reclassified to profit or loss in subsequent periods					
Gain on equity instruments designated at fair value through other comprehensive income	24	22,538,788	24,184,680	22,538,788	24,184,680
Actuarial Gain / (loss) on retirement benefit obligation	27	14,264,357	(6,557,959)	14,325,067	(6,552,998)
Deferred tax effect on actuarial Gain / (loss) on retirement benefit obligation		(4,285,378)	1,966,892	(4,297,520)	1,965,899
		9,978,979	(4,591,067)	10,027,547	(4,587,098)
Revaluation of land and buildings	23	-	593,592,325	-	523,187,708
Deferred tax effect on revaluation of land and buildings		-	(171,037,236)	-	(156,956,312)
		-	422,555,089	-	366,231,396
Total other comprehensive income items not to be reclassified to profit or loss in subsequent periods:		32,517,767	442,148,702	32,566,335	385,828,977
Other comprehensive income for the year, net of tax		32,517,767	442,148,702	32,566,335	385,828,977
Total comprehensive income for the year		844,926,019	1,205,033,680	794,275,269	1,114,333,500
Total comprehensive income attributable to:					
Equity holders of the parent		831,840,903	1,181,602,194	794,275,269	1,114,333,500
Non-controlling interests		13,085,116	23,431,486	-	-
		844,926,019	1,205,033,680	794,275,269	1,114,333,500

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	13	4,877,910,142	4,696,488,240	4,153,012,851	3,962,254,422
Right-of-use assets	14	2,800,000	4,000,000	-	-
Intangible assets	15	15,808,749	18,630,688	15,808,749	18,544,086
Biological assets	16	2,824,235	1,984,430	2,824,235	1,984,430
Investment in subsidiary	17	-	-	444,996,000	444,996,000
Other non-current financial assets	18	403,509,056	380,970,268	403,509,056	380,970,268
		5,302,852,182	5,102,073,626	5,020,150,891	4,808,749,206
Current assets					
Inventories	19	77,432,933	60,171,278	71,467,988	54,051,593
Trade and other receivables	20	142,630,966	213,881,442	138,550,904	209,999,422
Prepayments		17,483,144	23,415,727	16,342,982	21,378,284
Other current financial assets	18	3,474,496,725	2,732,800,327	3,133,260,946	2,468,735,343
Cash and cash equivalents	21	97,953,832	106,445,852	88,246,013	90,024,891
		3,809,997,600	3,136,714,626	3,447,868,833	2,844,189,533
Total assets		9,112,849,782	8,238,788,252	8,468,019,724	7,652,938,739
EQUITY AND LIABILITIES					
Equity					
Stated capital	22	335,209,740	335,209,740	335,209,740	335,209,740
Revaluation reserve	23	2,161,644,526	2,221,206,166	1,992,102,628	2,051,664,269
Fair value reserve of financial assets at FVOCI	24	112,246,092	89,707,304	112,246,092	89,707,304
Retained earnings		4,571,923,938	3,703,060,183	4,508,571,406	3,677,273,285
Equity attributable to owners of the company		7,181,024,296	6,349,183,393	6,948,129,866	6,153,854,599
Non-controlling interests	17.2	235,808,941	222,723,825	-	-
Total equity		7,416,833,237	6,571,907,218	6,948,129,866	6,153,854,599
Non-current liabilities					
Deferred tax liability	26	1,140,395,928	1,143,707,399	1,000,836,952	1,002,030,969
Retirement benefit obligations	27	58,010,921	60,116,928	52,331,854	55,868,010
		1,198,406,849	1,203,824,327	1,053,168,806	1,057,898,979
Current liabilities					
Interest bearing loans and borrowings	25	43,027,706	15,166,151	43,027,706	11,806,674
Trade and other payables	28	298,579,604	229,200,518	277,470,945	213,027,250
Contract liabilities	29	37,920,488	32,680,941	37,388,094	32,234,863
Income tax liabilities		118,081,898	186,009,097	108,834,307	184,116,373
		497,609,696	463,056,707	466,721,052	441,185,160
Total liabilities		1,696,016,545	1,666,881,034	1,519,889,858	1,499,084,140
Total equity and liabilities		9,112,849,782	8,238,788,252	8,468,019,724	7,652,938,739

It is certified that the financial statements have been prepared in compliance with the requirements of the Companies Act No. 7 of 2007.

J.P.K. Karunarathna
Chief Financial Officer

The board of directors is responsible for these financial statements.

Approved and signed for and on behalf of the Board;

G.G. Ondaatjie
Deputy Chairman

Approved and signed for and on behalf of the board;

T.J. Ondaatjie
Director

The accounting policies and notes as set out in pages 101 to 142 form an integral part of these financial statements.

11 August 2026
Colombo

Statement of Changes in Equity - Group

Year ended 31 March 2026

Group		Attributable to equity holders of the parent					Non controlling interest	Total
		Stated capital (Note 22)	Revaluation reserve (Note 23)	Fair value reserve of financial assets at FVOCI (Note 24)	Retained earnings	Total		
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 1 April 2024		**335,209,740**	**1,858,196,581**	**65,522,624**	**2,908,652,254**	**5,167,581,198**	**199,292,339**	**5,366,873,538**
Profit for the year		-	-	-	754,003,130	754,003,130	8,881,848	762,884,978
Other comprehensive income								
Net gain on equity instruments designated at fair value through other comprehensive income		-	-	24,184,680	-	24,184,680	-	24,184,680
Actuarial loss on retirement benefit obligation		-	-	-	(6,556,677)	(6,556,677)	(1,282)	(6,557,959)
Deferred tax on actuarial loss		-	-	-	1,966,635	1,966,635	256	1,966,892
Revaluation of lands and buildings		-	575,403,997	-	-	575,403,997	18,188,329	593,592,325
Deferred tax impact on revaluation of land and building on income tax rate changes	(Note 23)	-	(167,399,570)	-	-	(167,399,570)	(3,637,666)	(171,037,236)
Total comprehensive income for the year net of tax		**-**	**408,004,426**	**24,184,680**	**749,413,088**	**1,181,602,194**	**23,431,486**	**1,205,033,680**
Transferred to retained earnings		-	(44,994,841)	-	44,994,841	-	-	-
		-	**(44,994,841)**	**-**	**44,994,841**	**-**	**-**	**-**
Balance as at 31 March 2025		**335,209,740**	**2,221,206,166**	**89,707,304**	**3,703,060,183**	**6,349,183,393**	**222,723,825**	**6,571,907,218**
Balance as at 1 April 2025		**335,209,740**	**2,221,206,166**	**89,707,304**	**3,703,060,183**	**6,349,183,393**	**222,723,825**	**6,571,907,218**
Profit for the year		-	-	-	799,310,589	799,310,589	13,097,663	812,408,252
Other comprehensive income								
Net gain on equity instruments designated at fair value through other comprehensive income		-	-	22,538,788	-	22,538,788	-	22,538,788
Actuarial Gain / (loss) on retirement benefit obligation		-	-	-	14,280,041	14,280,041	(15,684)	14,264,357
Deferred tax effect on actuarial Gain / (loss) on retirement benefit obligation		-	-	-	(4,288,515)	(4,288,515)	3,137	(4,285,378)
Total comprehensive income for the year net of tax		**-**	**-**	**22,538,788**	**809,302,115**	**831,840,903**	**13,085,116**	**844,926,019**
Transferred to retained earnings		-	(59,561,640)	-	59,561,640	-	-	-
		-	**(59,561,640)**	**-**	**59,561,640**	**-**	**-**	**-**
Balance as at 31 March 2026		**335,209,740**	**2,161,644,526**	**112,246,092**	**4,571,923,938**	**7,181,024,296**	**235,808,941**	**7,416,833,237**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.
Figures in brackets indicate deductions.

Statement of Changes in Equity - Company

Year ended 31 March 2026

Company	Stated capital (Note 22) Rs.	Revaluation reserve (Note 23) Rs.	Fair value reserve of financial assets at FVOCI (Note 24) Rs.	Retained earnings Rs.	Total Rs.
Balance as at 1 April 2024	**335,209,740**	**1,730,427,714**	**65,522,624**	**2,908,361,020**	**5,039,521,098**
Profit for the year	-	-	-	728,504,522	728,504,522
Other comprehensive income					
Net gain on equity instruments designated at fair value through other comprehensive income	-	-	24,184,680	-	24,184,680
Actuarial loss on retirement benefit obligation	-	-	-	(6,552,998)	(6,552,998)
Deferred tax effect on actuarial loss on retirement benefit obligation	-	-	-	1,965,899	1,965,899
Revaluation of lands and buildings	-	523,187,708	-	-	523,187,708
Deferred tax impact on revaluation of land and building on income tax rate changes	-	(156,956,312)	-	-	(156,956,312)
Total comprehensive income for the year net of tax	**-**	**366,231,396**	**24,184,680**	**723,917,424**	**1,114,333,500**
Transferred to retained earnings	-	(44,994,841)	-	44,994,841	-
					-
	-	**(44,994,841)**	**-**	**44,994,841**	**-**
Balance as at 31 March 2025	**335,209,740**	**2,051,664,269**	**89,707,304**	**3,677,273,285**	**6,153,854,599**
Balance as at 1 April 2025	**335,209,740**	**2,051,664,269**	**89,707,304**	**3,677,273,285**	**6,153,854,599**
Profit for the year	-	-	-	761,708,934	761,708,934
Other comprehensive income					
Net gain on equity instruments designated at fair value through other comprehensive income	-	-	22,538,788	-	22,538,788
Actuarial Gain / (loss) on retirement benefit obligation	-	-	-	14,325,067	14,325,067
Deferred tax effect on actuarial Gain / (loss) on retirement benefit obligation	-	-	-	(4,297,520)	(4,297,520)
Total comprehensive income for the year net of tax	**-**	**-**	**22,538,788**	**771,736,481**	**794,275,269**
Transferred to retained earnings	-	(59,561,640)	-	59,561,640	-
	-	**(59,561,640)**	**-**	**59,561,640**	**-**
Balance as at 31 March 2026	**335,209,740**	**1,992,102,628**	**112,246,092**	**4,508,571,406**	**6,948,129,866**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.
Figures in brackets indicate deductions.

Cash Flow Statement
Year ended 31 March 2026

		Group		Company	
		2026	2025	2026	2025
	Note	Rs.	Rs.	Rs.	Rs.
Cash flows from/ (used in) operating activities					
Profit before tax		1,163,410,366	1,076,084,491	1,099,016,599	1,024,787,944
Adjustments for:					
Depreciation of property, plant and equipment	13	149,739,880	137,455,212	137,055,737	126,876,822
Depreciation of right-of-use assets		1,200,000	1,200,000	-	-
Amortization of intangible asset	15	3,160,001	3,067,863	3,073,399	2,898,469
Provision for impairment		1,033,080	(960,663)	1,033,080	(960,663)
Provision for retirement benefit obligation		14,059,532	11,734,113	12,690,093	10,602,097
Interest expenses	7	636,343	793,536	539,924	680,345
Interest income	8	(240,454,962)	(228,857,208)	(216,249,720)	(207,197,325)
Dividend income	6	(6,224,116)	(4,959,787)	(6,224,116)	(4,959,787)
Fair value gain on of biological assets	16	(1,444,445)	(2,515,698)	(1,444,445)	(2,515,698)
Gain on equity investments fair value through profit or loss		(14,625,423)	(16,414,971)	(14,625,423)	(16,414,971)
Net foreign exchange differences		(37,173,338)	(274,748)	(32,578,739)	608,983
(Loss)/Profit from disposal of property, plant and equipment		28,620	(218,342)	28,620	(218,342)
Write back of unclaimed dividends		(973,568)	(39,242)	(973,568)	(39,242)
Operating profit before working capital changes		1,032,371,970	976,094,556	981,341,441	934,148,632
Decrease/ (increase) in inventories		(17,261,655)	6,239,041	(17,416,395)	6,300,987
Decrease / (increase) in trade, other receivables and prepayments		76,132,703	(56,596,678)	75,450,740	(54,406,032)
Increase/ (decrease) in trade and other payables		70,352,658	(32,250,027)	65,417,263	(29,038,550)
Increase/ (decrease) in contract liabilities		5,239,547	(8,555,310)	5,153,231	(8,497,086)
Cash generated from operations		1,166,835,223	884,931,582	1,109,946,280	848,507,951
Income tax paid		(426,526,163)	(303,609,097)	(418,081,269)	(296,765,956)
Interest paid		(636,343)	(793,536)	(539,924)	(680,345)
Gratuity paid		(1,901,182)	(5,554,659)	(1,901,182)	(5,060,059)
Net cash from operating activities		737,771,535	574,974,290	689,423,905	546,001,591
Cash flows from/ (used in) investing activities					
Acquisition of property, plant and equipment	13	(331,173,129)	(350,524,279)	(327,842,774)	(345,747,704)
Proceeds from disposal of property, plant and equipment		-	331,144	-	331,144
Acquisition of intangible assets	15	(338,062)	(608,143)	(338,062)	(608,143)
Interest received		236,407,779	195,473,319	213,467,949	179,885,295
Dividend received		6,224,116	4,959,787	6,224,116	4,959,787
Investment in quoted shares		-	(20,897,922)	-	(20,897,922)
Investment in fixed deposits		(924,293,006)	(591,974,477)	(848,387,637)	(541,140,345)
Upliftment of fixed deposits	16	201,269,214	219,274,328	201,269,214	219,274,328
Addition of biological assets	16	(19,000)	(122,754)	(19,000)	(122,754)
Sale of biological assets		623,640	5,314,486	623,640	5,314,486
Net cash used in investing activities		(811,298,448)	(538,774,511)	(755,002,554)	(498,751,828)
Cash flows from/ (used in) financing activities		-	-	-	-
Net cash used in financing activities		-	-	-	-
Net increase in cash and cash equivalents		(73,526,913)	36,199,780	(65,578,649)	47,249,763
Net foreign exchange difference		37,173,338	274,748	32,578,739	(608,983)
Cash and cash equivalents at the beginning of the year		91,279,701	54,805,173	78,218,217	31,577,436
Cash and cash equivalents at the end of the year	21	54,926,126	91,279,701	45,218,307	78,218,217

Figures in brackets indicate deductions.

Accounting Policies

1. CORPORATE INFORMATION

The consolidated financial statements of the Nuwara Eliya Hotels Co. PLC and its subsidiary (collectively, the Group) and the separate financial statements of the Company for the year ended 31 March 2026 were authorized for issue in accordance with a resolution of the directors on 11 August 2026. The Nuwara Eliya Hotels Co. PLC (the Company or the parent) is a public limited company incorporated and domiciled in Sri Lanka and whose shares are listed on Colombo Stock Exchange and publicly traded.

The registered office of the Company is located at No 236, Galle Road, Colombo 03 and the principal place of business (Hotel) is located at Nuwara Eliya.

The Group is principally engaged in the provision of Hotel Services. Information of the subsidiary is provided in Note 2.3. Information on other related party relationships of the Group is provided in Note 30.1.

The Company does not have an identifiable parent company of its own.

2. ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements of the Company and the Group comprise the statement of financial position as at 31 March 2026 and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

The financial statements of the Company and the consolidated financial statements of the Group have been prepared in accordance with the Sri Lanka Accounting Standards (SLFRSs and LKASs) as issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka), and in compliance with the requirements of Companies Act No. 7 of 2007.

The consolidated financial statements have been prepared on a historical cost basis, except for Land and Buildings, financial instruments fair value through profit or loss, equity instruments designated at fair value through OCI and biological assets.

The consolidated financial statements are presented in Sri Lanka Rupees (Rs.).

Comparative information

The consolidated financial statements provide comparative information in respect of the previous year.
The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year. Previous year's figures and phrases have been re-arranged whenever necessary to conform to current presentation including other operating income and finance income.

2.1.1 Going concern

The Board of Directors has 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 operations.

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiary as at 31 March 2026. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee. (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to receive 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.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Accounting Policies contd.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

2.3 Subsidiary

Investment subsidiary is carried at cost less impairments (if any) in the separate financial statements.

The subsidiary and its controlling percentage of the Group, which have been consolidated, are as follows:

Subsidiary	2026	2025
Fair View Hotel (Pvt) Ltd	74%	74%

The principal activities of the subsidiary are provision of lodging, food, beverage and other hospitality industry related activities. The principal place of business of the subsidiary is located at Colombo.

The financial statements of the subsidiary are prepared in compliance with the Group's accounting policies.

2.4 Summary of accounting policies

a) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests 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 acquirer's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured 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 recognized 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 recognized in profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognized 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 recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in 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 in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

b) Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period;

Or

- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle;

- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period;

Or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

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

c) Fair value measurement

The Group measures financial instruments such as quoted equity securities designated as fair value through profit or loss and financial assets at fair value through OCI and non-financial assets such as Land, Buildings and Biological Assets at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either;

- In the principal market for the asset or liability;

Or
- In the absence of a principal market, in the most advantageous market for the asset or liability;

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

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

The Group's senior management and board determines the policies and procedures for fair value measurement, such as land and buildings and biological assets.

External valuers are involved for valuation of land, buildings and biological assets of the Group. Involvement of external valuers is determined annually by the senior management and the board after discussion with and approval by the Company's Audit Committee. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The senior management decides, after discussions with the Group's external valuers, which valuation techniques and inputs to use for each case.

At each reporting date, the senior management analyses the movements in the values of assets and liabilities which are required to be remeasured or re-assessed as per the Group's accounting policies. For this analysis, the senior management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The senior management, in conjunction with the Group's external valuers, also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

On an annual basis, the senior management presents the valuation results to the Audit Committee and the Group's independent auditors. This includes a discussion of the major assumptions used in the valuations.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarised in the following notes:

Accounting Policies contd.

Fair value measurement	Disclosure Notes
Disclosures for valuation methods, significant estimates and assumptions	Notes 12, 16, 18
Quantitative disclosures of fair value measurement hierarchy	Note 13
Property, plant and equipment under revaluation model	Note 13
Biological Assets	Note 16
Financial Instruments (Including those carried at amortized cost)	Note 18

d) Revenue from contracts with customers

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the company expect to be entitled in exchange of those goods or services.

The Group's gross turnover comprises proceeds from provision of food, beverage, lodging and other hospitality industry related activities. The net Group's turnover excludes turnover taxes and trade discounts.

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

Room revenue

Room revenue is recognized when the rooms are occupied on 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.

Contract balances associated with room revenue

Contract assets

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.

Contract assets are subject to impairment assessment.

Contract liabilities

Customers may pay in advance for accommodation. In this case the Group has received consideration for services not yet provided. This is treated as a contract liability until the performance obligation is met and is recognised as revenue when the Group performs under the contract. The Group has taken advantage of the practical expedient in SLFRS 15 to not adjust the consideration for the effects of a financing component as the period between payment and the performance obligation is less than one year.

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. The performance obligation is satisfied when the food and beverage is delivered to the customer (at a point of time), and revenue is recognised at this point at the price for the items purchased.

Interest income

For all financial instruments measured at amortised cost and interest bearing financial assets classified as financial assets at fair value through OCI, interest income or expense is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through 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.

Dividend income

Dividend income is recognised in statement of profit or loss on the date the entity's right to receive the payment is established, which is generally when shareholders approve the dividend.

Rental income, other income and gains

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

Gains and losses on disposal of assets

Gains and losses on disposal of assets are determined by comparing the net sales proceeds with the carrying amounts of the assets and are recognised net within other operating income in the statement of profit or loss. When revalued assets are sold, the amounts included in the revaluation surplus reserve are transferred to retained earnings.

e) Taxation

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred taxation

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 taxable profit or loss and does not give rise to equal taxable and deductible temporary differences;
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, 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 taxable profit or loss and does not give rise to equal taxable and deductible temporary differences.
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

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 OCI or directly in equity.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Sales tax

Revenue, 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.
- When receivables and payables 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.

f) Foreign currencies

The Group's consolidated financial statements are presented in Sri Lanka Rupees, which is also the parent company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

g) Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign

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currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of advance consideration.

h) Cash dividend

The Group recognisesa liability topay a dividend when the distribution is authorised and the distribution is no longer at the discretion of the Group. A distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

i) Property, plant and equipment

Property, Plant and equipment (other than land, buildings, swimming pool and farm structures) is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met.

When significant parts of plant and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as 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.

Depreciation is recognised in the statement of profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

Useful lives as follows;

Asset	Years
Buildings	4 to 92 Years
Swimming pool complex	4 to 92 Years
Farm Structure	5 to 7 Years
Plant and Machinery	10 to 28 Years
Motor Vehicles	4 Years
Furniture and Fittings	5 Years
Fixtures	20 Years
Electrical Equipment	10 Years
Office Equipment	10 Years
Soft Furniture	4 Years
Crockery, Cutlery and Glassware	3 Years

An item of property, plant and equipment and any significant part initially recognized is derecognized 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 derecognized.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

Capital work-in-progress

Capital work-in-progress is stated at cost less impairment losses if any. These would be transferred to the relevant asset category in property, plant and equipment when the asset is completed and available for use i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

j) Leases

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

Group as a lessee

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

i) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets as follows:

Asset	Years
Leasehold lands	5 years

ii) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Group's lease liabilities are included in Interest-bearing loans and borrowings.

iii) Short-term leases and leases of low-value assets

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

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease term and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

k) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an 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. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

l) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

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

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An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

Research and development costs

Research costs are expensed as incurred. Developmentexpendituresson an individual project are recognised as an intangible asset when the Group can demonstrate:

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

Following initial recognition of the development expenditure as an asset, the assetiscarried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete, and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in cost of sales. During the period of development, the asset is tested for impairment annually.

m) 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.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (FVOCI), and fair value through profit or loss (FVPL).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price as disclosed in section revenue from contracts with customers.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold 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 at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition. (equity instruments)
- Financial assets at fair value through profit or loss.

Financial assets at amortised cost (debt instruments)

The Group classifies its financial assets as at amortised cost only if both of the following criteria are met and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to collect the contractual cash flows,

and

- the contractual terms give rise to cash flows that are solely payments of principal and interest.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes trade receivables, amount due from related parties and investments in fixed deposits.

Financial assets at fair value through OCI (equity instruments)
Financial assets at fair value through OCI comprise:

- Equity securities which are not held for trading, and which the group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments, and the Group considers this classification to be more relevant.

Financial assets at fair value through OCI are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of OCI. Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI.

On disposal of these equity investments, any related balance within the FVOCI reserve is reclassified to retained earnings.

Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group elected to classify irrevocably its listed equity investments in Royal Palm Beach Hotels PLC and John Keels Holdings PLC under this category. The classification is determined on an instrument-by-instrument basis.

Financial assets at fair value through profit or loss
The Group classifies the following financial assets at fair value through profit or loss (FVPL)

- equity investments that are held for trading, and
- equity investments for which the entity has not elected to recognise fair value gains and losses through OCI

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 listed equity investments which the Group had 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's 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 Group could be required to repay.

Impairment of financial assets
Further disclosures relating to impairment of financial assetsarealsoprovidedin the following notes:

- Trade receivables and disclosures for significant assumptions Note 20

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 Group 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

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over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. 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 Group considers a financial asset in default when contractual payments are 180 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group financial liabilities include trade and other payables, loans and borrowings including bank overdrafts.

Subsequent measurement

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 fair value through profit or loss

Financial liabilities at fair value through profit or loss includefinancialliabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they areincurredfor the purpose of repurchasing in the near term. Gains or losses on liabilities held for trading are recognized in the statement of profit or loss.

The Group has not designated any financial liability as at fair value through profit or loss.

Financial liabilities at amortised cost (loans and borrowings)

This category generally applies to interest-bearing 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.

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.

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.

iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if 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.

n) Inventories

Inventories are measured at the lower of cost and net realizable value. Costs incurred in bringing each product to its present location and conditions are accounted for as follows:

Food and Beverages	At Weighted Average Cost
Engineering Supplies and Other Consumables	At Weighted Average Cost
Grand Gift Boutique	Actual Cost on FIFO Basis

Net realizable value is the estimated selling price in the ordinary course of business less, the estimated cost of completion and the estimated costs necessary to make the sale.

o) Biological Assets

Biological Assets are measured at fair value less costs to sell, with any change therein recognized in profit or loss. Costs to sell include all costs that would be necessary to sell the assets, including transportation costs. The fair value of livestock held for sale is based on the market price of livestock of similar age based on the market value circular issued by the National Livestock Development Board on weight, breed and genetic make-up.

p) 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 asset's or CGU's 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.

In assessing value in use, the 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. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to OCI. For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

q) Cash and short-term deposits
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 the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

r) Provisions
General
Provisions are recognised when the Group has 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. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-taxrate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

s) Employee Benefits
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 gross emoluments to employees as Provident Fund and Trust Fund contribution respectively.

Defined Benefit Plans
A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The defined benefit is calculated by independent actuaries using Projected Unit Credit (PUC) method as recommended by LKAS 19 – "Employee benefits". The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates that are denominated in the currency in which the benefits will be paid, and that

Accounting Policies contd.

have terms to maturity approximating to the terms of the related liability.

Current service cost and interest cost are recognized in the statement of profit or loss while any actuarial gains or losses arising are recognized in statement of other comprehensive income.

The present value of the defined benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Key assumptions used in determining the defined retirement benefit obligations are given in note 27. Any changes in these assumptions will impact the carrying amount of defined benefit obligations.

Provision has been made for retirement gratuities from the beginning of service for all employees, in conformity with LKAS 19 on employee benefit. However, under the Payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of five years of continued service.

Short-term Benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

t) Events after the reporting period

If the Group receives information after the reporting period, but prior to the date of authorisation for issue, about conditions that existed at the end of the reporting period, it will assess whether the information affects the amounts that it recognises in its consolidated financial statements. The Group will adjust the amounts recognised in its financial statements to reflect any adjusting events after the reporting period and update the disclosures that relate to those conditions in light of the new information. For non-adjusting events after the reporting period, the Group will not change the amounts recognised in its consolidated financial statements but will disclose the nature of the non-adjusting event and an estimate of its financial effect, or a statement that such an estimate cannot be made, if applicable.

u) Earnings per share (EPS)

Basic EPS is calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is calculated by dividing the profit attributable to ordinary equity holders of the parent (after adjusting for interest on the convertible preference shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Other disclosures relating to the Group's exposure to risks and uncertainties includes:

• Financial risk management and policies	Note 33
• Sensitivity analyses disclosures	Note 33
• Capital management	Note 33

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

a) Revaluation of land and buildings including swimming pool and farm structures

The Group carries its land and buildings including swimming pool and farm structures at fair value, with changes in fair value being recognised in the statement of OCI.

The valuer has used valuation techniques such as market values and discounted cash flow methods where there was lack of comparable market data available based on the nature of the property.

The lands were valued by reference to transactions involving properties of a similar nature, location and condition. The Group engaged an independent valuation specialist to assess fair values as at 31 March 2026.

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

b) Retirement Benefit Obligation

The cost of retirement benefit obligation and the present value of the retirement benefit obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of long-term government bonds, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. Future salary increases, and pension increases are based on expected future inflation rates of the country.

Further details about the assumptions used are given in Note 27.

c) Provision for expected credit losses of trade receivables

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 365 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 analyzed.

d) Useful lives and residual values of property, plant and equipment

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 amortization charge and decrease the carrying value.

4. STANDARDS ISSUED BUT NOT YET EFFECTIVE

The new and amended standards and interpretations that are issued up to the date of issuance of the Group financial statements but are not effective for the current annual reporting period, are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective. The amendments are not expected to have a material impact on the Group's financial statement.

SLFRS 18 Presentation and Disclosure in Financial Statements

SLFRS 18, which replaces LKAS 1, introduces significant enhancements to the way financial information is organized and communicated. The standard establishes new categories and 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 1 January 2027. Early application is permitted.

The potential impact of SLFRS 18 on the financial statements and the related notes is currently being identified and evaluated.

Classification and Measurement of Financial Instruments - Amendments to SLFRS 9 and SLFRS 7

The amendments introduce enhancements to the classification, measurement, derecognition, and disclosure requirements for financial instruments. Their objective is to strengthen transparency, promote greater consistency in financial reporting, and respond to emerging market developments - particularly features such as sustainability linked terms and nature dependent electricity contracts.

These amendments are effective for annual reporting periods beginning on or after 1 January 2026. Early application is permitted.

The amendments are not expected to have a material impact on the financial statements.

Annual improvements to Sri Lanka Accounting Standards

Narrow scope amendments as part of its periodic maintenance of Sri Lanka Accounting Standards will be adopted will be adopted, if applicable, when they become effective.

Notes to the Financial Statements
Year ended 31 March 2026

5 REVENUE FROM CONTRACT WITH CUSTOMERS

		Group		Company	
		2026 Rs.	2025 Rs.	2026 Rs.	2025 Rs.
Revenue from contracts with customers	(Note 5.1)	2,450,197,067	2,355,664,945	2,263,230,364	2,182,883,362
		2,450,197,067	2,355,664,945	2,263,230,364	2,182,883,362

5.1 Revenue from contracts with customers
The Group derives revenue from the transfer of goods and services over time/the period of stay and at a point in time in the following major categories ;

Over period of stay				
Room revenue	1,152,418,871	1,014,113,013	1,031,134,636	900,397,234
At a point in time				
Food revenue	943,709,644	1,010,722,294	883,773,654	957,251,585
Beverage revenue	278,114,534	258,698,885	273,603,797	254,116,543
Spa income	32,628,313	29,905,243	32,628,313	29,905,243
Laundry income	18,036,148	19,803,574	16,800,408	18,790,821
Gift shop sales	20,094,389	19,448,799	20,094,389	19,448,799
Excursion Income	5,195,168	2,973,137	5,195,167	2,973,137
	2,450,197,067	2,355,664,945	2,263,230,364	2,182,883,362

Contract liabilities and its movement are disclosed in Note 29 to the financial statements and there are no contract assets.

6 OTHER OPERATING INCOME

Dividend income	6,224,116	4,959,787	6,224,116	4,959,787
Rental income	3,913,332	1,860,000	3,913,332	1,860,000
Billiard income	1,839,752	1,840,523	1,839,752	1,840,523
Profit on sale of property, plant and equipment	-	218,342	-	218,342
Gain on foreign currency exchange	547,273	479,865	547,273	479,865
Sundry income	9,518,994	7,620,619	9,458,001	7,561,528
Net (loss)/profit on farm	-	385,361	-	385,361
Vehicle Hire Income	2,505,179	1,962,202	2,503,638	1,960,684
	24,548,646	19,326,699	24,486,112	19,266,090

7 FINANCE EXPENSES

Interest on bank overdrafts and bank charges	636,343	793,536	539,924	680,345
Loss on foreign currency exchange - Unrealized	-	205,117	-	1,088,848
	636,343	998,653	539,924	1,769,193

8 FINANCE INCOME

Interest income on short term deposits		240,454,962	228,857,208	216,249,720	207,197,325
Gain on foreign currency exchange - Unrealized		37,173,338	-	32,578,739	-
Net change in fair value of financial assets	(Note 18.2)	14,625,423	16,414,971	14,625,423	16,414,971
		292,253,723	245,272,179	263,453,882	223,612,296

9 PROFIT BEFORE TAX

Profit before tax is stated after charging all the expenses including the followings:

	Group		Company	
	2026	2025	2026	2025
	Rs.	Rs.	Rs.	Rs.
Included in cost of sales				
Materials and consumables	415,222,081	453,303,548	390,795,641	428,606,609
Included in administration expenses				
Auditors' remuneration				
- Statutory audit fee	1,137,200	1,052,890	926,000	842,000
- Internal audit fee	1,054,000	484,000	1,054,000	484,000
Costs of defined employee benefits				
- Defined benefit plan costs	13,937,319	11,620,429	12,567,880	10,488,413
- Defined contribution plan cost - EPF and ETF	42,216,022	36,337,302	42,216,022	36,337,302
- Other staff cost	431,118,546	329,309,411	388,795,355	292,192,733
Donations	580,800	640,000	575,800	635,000
Directors' emoluments	13,401,400	12,865,672	13,401,400	12,865,672
Included in depreciaton and amortization				
Depreciation of property, plant and equipment	149,739,880	137,455,212	137,055,737	126,876,822
Depreciation of right-of-use assets	1,200,000	1,200,000	-	-
Amortization of intangible assets	3,160,001	3,067,865	3,073,399	2,898,470
Included in Selling and marketing expenses				
Advertisement charges	3,204,838	2,479,630	3,011,979	2,234,844
Credit card commission	44,247,614	44,978,520	38,883,352	38,894,997

10 TAX EXPENSE/ (REVERSAL)

The major components of income tax expenses for the year ended 31st March are as follows :

Current income tax					
Current income tax charge	(Note 10.1)	345,742,530	317,868,948	329,942,769	311,544,588
Adjustments in respect of current income tax of previous year		12,856,434	(2,014,628)	12,856,434	(2,014,628)
		358,598,964	315,854,320	342,799,203	309,529,960
Deferred tax expense					
Deferred tax charge/ (reversal)	(Note 26)	(7,596,850)	(2,654,806)	(5,491,538)	(13,246,538)
		(7,596,850)	(2,654,806)	(5,491,538)	(13,246,538)
Income tax expense/(reversal) reported in the statement of profit or loss		351,002,114	313,199,513	337,307,665	296,283,422
Effective tax rate		30%	29%	31%	29%

Notes to the Financial Statements contd.
Year ended 31 March 2026

10.1 Taxable profit from the business is as follows;

	Group		Company	
	2026 Rs.	2025 Rs.	2026 Rs.	2025 Rs.
Taxable income from hotel operations	934,428,769	841,270,264	887,809,341	841,270,264
Investment income	233,586,140	218,292,895	211,999,889	197,211,695
Total taxable income	1,168,014,909	1,059,563,159	1,099,809,230	1,038,481,959
Current income tax charge for the year is made up of the following:				
- Income tax on business profit 30%	266,342,802	243,768,270	266,342,802	252,381,079
- Income tax on business profit 20%	9,323,886	8,612,809	-	-
- Income tax on investment income 30%	70,075,842	65,487,868	63,599,967	59,163,508
Current income tax charge for the year	**345,742,530**	**317,868,948**	**329,942,769**	**311,544,588**

10.2 A reconciliation of tax expense and the accounting profit multiplied by the statutory tax rate is as follows :

Profit before income tax expenses	1,163,410,366	1,076,084,491	1,099,016,599	1,024,787,944
Tax at statutory income tax rate	342,583,733	317,695,693	329,704,980	307,436,383
Effect of tax rate changes of other income	2,158,625	2,108,120	-	-
Adjustments in respect of current income tax of previous year	12,856,434	(2,014,628)	12,856,434	(2,014,628)
Tax effect on non deductible expenses	3,895,975	7,908,577	3,749,195	2,949,407
Tax effect on deductions claimed	(1,588,222)	(1,994,242)	(509,024)	(1,994,242)
Tax effect on exempt amounts	(4,473,182)	(5,272,970)	(4,357,445)	(5,157,233)
Tax effect on non-taxable income	(4,431,249)	(5,231,037)	(4,136,477)	(4,936,265)
Tax expense	351,002,114	313,199,513	337,307,665	296,283,422

Income tax rates - The Nuwara Eliya Hotels Co. PLC

Hotel operations

The profits and income of the Company arising on provision of tourism related services is liable for taxation at the rate of 30% (2025 : 30%) in terms of Revenue Act No. 24 of 2017 and amendments thereto.

Other income and gains

Income from other sources are taxed at the rate of 30% (2025-30%).

Income tax rates - Fair View Hotel (Pvt) Ltd (Subsidiary)

Hotel operations

The Company is entitled to a tax exemption under the Section 17 of the Board of Investment of Sri Lanka. As per the agreement company is entitled to a 5 years tax exemption from the year of assessment in which company commences to make profits or any year of assessment not later than two years from the date of commencement of Commercial Operation. After the expiration of such period, a rate of 10% would apply for immediate next year and thereafter the operating profits of the Company will liable to pay tax at a rate of 20%. Currently the operating profits of Fair View Hotel (Pvt) Ltd is taxed at 20%.

Other income and gains

Income from other sources are taxed at the rate of 30% (2025-30%).

Income tax and Deferred tax have been provided as per the new rates legislated as per the Inland Revenue (Amendment) Act No 45 of 2022.

11 BASIC/DILUTED EARNINGS PER SHARE

Basic earnings per share has been calculated based on the profit after taxation attributable to ordinary shareholders divided by the weighted average number of ordinary shares outstanding during the year.

	Group		Company	
	2026 Rs.	2025 Rs.	2026 Rs.	2025 Rs.
Amount used as the numerator				
Profit Attributable to ordinary shareholders	799,310,589	754,003,130	761,708,934	728,504,522
Amount used as the denominator				
Weighted average number of ordinary shares	2,186,040	2,186,040	2,186,040	2,186,040
Basic/diluted earnings per share	365.64	344.92	348.44	333.25

12 FAIR VALUE MEASUREMENT - GROUP

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities.
Fair value measurement hierarchy for assets as at 31 March 2026 and 2025:

				Fair value measurement using		
Assets measured at fair value:			Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
As at 31 March 2026						
Non financial assets						
Land	(Note 13.1)	31 March 2026	2,467,300,000	-	-	2,467,300,000
Buildings, swimming pool and farm structure	(Note 13.1)	31 March 2026	2,032,080,687	-	-	2,032,080,687
Biological assets	(Note 16)	31 March 2026	2,824,235	-	-	2,824,235
Total Non Financial Assets as at 31 March 2026			**4,502,204,922**	**-**	**-**	**4,502,204,922**
Financial assets						
Financial assets at fair value through OCI						
Quoted equity shares	(Note 18.1)	31 March 2026	403,509,056	403,509,056	-	-
Equity instruments designated at fair value through profit or loss						
Quoted equity shares	(Note 18.2)	31 March 2026	72,948,080	72,948,080	-	-
Total financial assets as at 31 March 2026			476,457,136	476,457,136	-	-
As at 31 March 2025						
Non financial assets						
Land	(Note 13.1)	31 March 2025	2,467,300,000	-	-	2,467,300,000
Buildings, swimming pool and farm structure	(Note 13.1)	31 March 2025	1,926,570,000	-	-	1,926,570,000
Biological assets	(Note 16)	31 March 2025	1,984,430	-	-	1,984,430
Non financial assets as at 31 March 2025			**4,395,854,430**	**-**	**-**	**4,395,854,430**

Notes to the Financial Statements contd.
Year ended 31 March 2026

Assets measured at fair value:			Total	Fair value measurement using: Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Financial assets						
Financial assets at fair value through OCI						
Quoted equity shares	(Note 18.1)	31 March 2025	380,970,268	380,970,268	-	-
Equity instruments designated at fair value through profit or loss						
Quoted equity shares	(Note 18.2)	31 March 2025	58,322,657	58,322,657	-	-
Financial assets as at 31 March 2025			439,292,925	439,292,925	-	-

There were no transfers between Level 1 and Level 2 during year ended 31 March 2026 and 2025.

12 FAIR VALUE MEASUREMENT - GROUP

12.1 Fair value of financial assets and liabilities by class

Group/Company

Set out below is a comparison, by class, of the carrying amounts and fair value of the Group's financial instruments, other than those with carrying amounts that are reasonable approximations of fair values.

As at 31st March	2026		2025	
	Carrying amount Rs.	Fair value Rs.	Carrying amount Rs.	Fair value Rs.
Financial assets				
Financial assets at fair value through OCI	403,509,056	403,509,056	380,970,268	380,970,268
Equity instruments designated at fair value through profit or loss	72,948,080	72,948,080	58,322,657	58,322,657
Total	476,457,136	476,457,136	439,292,925	439,292,925

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 and liabilities 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.

12.2 Fair Value Measurement - Company

The following table provides the fair value measurement hierarchy of the company's assets and liabilities.

Fair value measurement hierarchy for assets as at 31 March 2026 and 2025:

Assets measured at fair value:			Total	Fair value measurement using: Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
As at 31 March 2026						
Non financial assets						
Land	(Note 13.2)	31 March 2026	2,257,000,000	-	-	2,257,000,000
Buildings, swimming pool and farm structure	(Note 13.2)	31 March 2026	1,546,444,750	-	-	1,546,444,750
Biological assets	(Note 16)	31 March 2026	2,824,235	-	-	2,824,235
Total non financial assets as at 31 March 2026			3,806,268,985	-	-	3,806,268,985
Financial assets						
Financial assets at fair value through OCI						
Quoted equity shares	(Note 18.1)	31 March 2026	403,509,056	403,509,056	-	-
Equity instruments designated at fair value through profit or loss						
Quoted equity shares	(Note 18.2)	31 March 2026	72,948,080	72,948,080	-	-
Total financial assets as at 31 March 2026			476,457,136	476,457,136	-	-
As at 31 March 2025						
Non financial assets						
Land	(Note 13.2)	31 March 2025	2,257,000,000	-	-	2,257,000,000
Buildings, swimming pool and farm structure	(Note 13.2)	31 March 2025	1,433,000,000	-	-	1,433,000,000
Biological assets	(Note 16)	31 March 2025	1,984,430	-	-	1,984,430
Total non financial assets as at 31 March 2025			3,691,984,430	-	-	3,691,984,430
Financial assets						
Financial assets at fair value through OCI						
Quoted equity shares	(Note 18.1)	31 March 2025	380,970,268	380,970,268	-	-
Equity instruments designated at fair value through profit or loss						
Quoted equity shares	(Note 18.2)	31 March 2025	58,322,657	58,322,657	-	-
Total financial assets as at 31 March 2025			439,292,925	439,292,925	-	-

There were no transfers between Level 1 and Level 2 during year ended 31 March 2026 and 2025.

Notes to the Financial Statements contd.
Year ended 31 March 2026

13 PROPERTY, PLANT AND EQUIPMENT

13.1 Group Gross carrying amounts At cost or valuation

	Balance as at 01.04.2025 Rs.	Additions Rs.	Revaluations Rs.	Transfers/ disposals Rs.	Balance as at 31.03.2026 Rs.
Freehold land	2,467,300,000	-	-	-	2,467,300,000
Buildings	1,811,230,900	176,818,250	-	-	1,988,049,150
Swimming pool complex	110,000,000	-	-	-	110,000,000
Farm structure	5,339,100	-	-	-	5,339,100
Plant and machinery	285,162,843	24,341,519	-	-	309,504,362
Motor vehicles	73,475,631	36,653,000	-	-	110,128,631
Furniture and fittings	160,698,951	44,161,189	-	(68,683)	204,791,457
Fixtures	16,638,067	5,975,190	-	-	22,613,257
Office equipment	40,695,221	6,561,568	-	-	47,256,789
Electrical equipment	98,514,375	29,919,916	-	-	128,434,291
Soft Furniture	80,100,347	5,833,832	-	(303,967)	85,630,212
Crockery, cutlery and glassware	53,665,695	9,937,181	-	(108,687)	63,494,189
Total value of depreciable assets	**5,202,821,130**	**340,201,645**	**-**	**(481,336)**	**5,542,541,439**
In the course of construction					
Capital work-in-progress	18,832,736	250,957,642	-	(259,968,908)	9,821,470
Total gross carrying amount	**5,221,653,866**	**591,159,287**	**-**	**(260,450,244)**	**5,552,362,909**

Depreciation At cost or valuation	Balance as at 01.04.2025 Rs.	Charge for the year Rs.	Revaluations Rs.	Transfers/ Disposals Rs.	Balance as at 31.03.2026 Rs.
Buildings	-	65,513,166	-	-	65,513,166
Swimming pool complex	-	5,101,285	-	-	5,101,285
Farm Structure	-	693,112	-	-	693,112
Plant and machinery	184,441,678	23,535,021	-	-	207,976,699
Motor vehicles	67,914,444	7,436,959	-	-	75,351,403
Furniture and fittings	101,626,666	15,481,446	-	(40,064)	117,068,048
Fixtures	5,006,429	1,740,470	-	-	6,746,899
Office equipment	24,796,166	3,604,488	-	-	28,400,654
Electrical equipment	41,594,454	9,223,310	-	-	50,817,763
Soft furniture	63,125,136	6,070,025	-	(303,967)	68,891,195
Crockery, cutlery and glassware	36,660,653	11,340,599	-	(108,686)	47,892,566
Total depreciation	**525,165,627**	**149,739,880**	**-**	**(452,717)**	**674,452,767**

Net book value At cost or valuation	2026 Rs.	2025 Rs.
Freehold land	2,467,300,000	2,467,300,000
Buildings	1,922,535,984	1,811,230,900
Swimming pool	104,898,715	110,000,000
Farm structure	4,645,988	5,339,100
Plant and machinery	101,527,663	100,721,165
Motor vehicles	34,777,228	5,561,187
Furniture and fittings	87,723,409	59,072,285
Fixtures	15,866,358	11,631,638
Office equipment	18,856,135	15,899,054
Electrical equipment	77,616,528	56,919,921
Soft furniture	16,739,017	16,975,210
Crockery, cutlery and glassware	15,601,623	17,005,042
Total value of depreciable assets	**4,868,088,672**	**4,677,655,504**
In the course of construction		
Capital work-in-progress	9,821,470	18,832,736
Carrying value	**4,877,910,142**	**4,696,488,240**

13.1.1 During the financial year, the Group acquired Property, Plant and Equipment to the aggregate value of Rs.591,159,287/- (2025 - Rs.350,524,279/-) including cost incurred on capital work in progress of which Rs. 250,957,642/- (2025 - Rs. 260,616,547/-). Cash payments amounted to Rs.331,173,129/- (2025 - Rs. 350,524,279/-) were made during the year for purchase of Property, Plant and Equipment.

13.2 Company Gross carrying amounts At cost or valuation

	Balance as at 01.04.2025 Rs.	Additions Rs.	Revaluations Rs.	Transfers/ disposals Rs.	Balance as at 31.03.2026 Rs.
Freehold land	2,257,000,000	-	-	-	2,257,000,000
Buildings	1,317,660,900	176,818,250	-		1,494,479,150
Swimming pool complex	110,000,000	-	-	-	110,000,000
Farm structure	5,339,100	-	-	-	5,339,100
Plant and machinery	244,823,621	24,298,126	-	-	269,121,747
Motor vehicles	68,600,631	36,653,000	-	-	105,253,631
Furniture and fittings	114,344,505	44,155,289	-	(68,683)	158,431,111
Fixtures	16,638,067	5,975,190	-	-	22,613,257
Office equipment	34,897,046	5,789,580	-	-	40,686,626
Electrical equipment	78,335,193	28,636,293	-	-	106,971,486
Soft furniture	60,798,416	4,850,457	-	-	65,648,873
Crockery, cutlery and glassware	49,406,787	9,677,855	-	-	59,084,642
Total value of depreciable assets	**4,357,844,267**	**336,854,040**	**-**	**(68,683)**	**4,694,629,624**
In the course of construction					
Capital work-in-progress	**18,832,736**	**250,957,642**	**-**	**(259,968,908)**	**9,821,470**
Total gross carrying amount	**4,376,677,002**	**587,811,682**	**-**	**(260,037,591)**	**4,704,451,093**

Notes to the Financial Statements contd.
Year ended 31 March 2026

Depreciation At cost or valuation	Balance as at 01.04.2025 Rs.	Charge for the year Rs.	Revaluations Rs.	Transfers/ disposals Rs.	Balance as at 31.03.2026 Rs.
Building	-	57,579,103	-	-	57,579,103
Swimming pool complex	-	5,101,285	-	-	5,101,285
Farm structure	-	693,112	-	-	693,112
Plant and machinery	167,688,312	21,609,027	-	-	189,297,333
Motor vehicles	63,039,445	7,436,959	-	-	70,476,404
Furniture and fittings	55,275,237	15,477,446	-	(40,064)	70,712,619
Fixtures	5,006,429	1,740,470	-	-	6,746,899
Office equipment	20,161,096	3,014,202	-	-	23,175,298
Electrical equipment	26,775,036	7,171,030	-	-	33,946,066
Soft furniture	43,823,203	5,937,011	-	-	49,760,214
Crockery, cutlery and glassware	32,653,822	11,296,087	-	-	43,949,909
Total depreciation	**414,422,581**	**137,055,737**	**-**	**(40,064)**	**551,438,243**

Net book value At cost or valuation	2026 Rs.	2025 Rs.
Freehold land	2,257,000,000	2,257,000,000
Buildings	1,436,900,047	1,317,660,900
Swimming pool	104,898,715	110,000,000
Farm structure	4,645,988	5,339,100
Plant and machinery	79,824,414	77,135,309
Motor vehicles	34,777,227	5,561,186
Furniture and fittings	87,718,492	59,069,268
Fixtures	15,866,358	11,631,638
Office equipment	17,511,328	14,735,950
Electrical equipment	73,025,420	51,560,157
Soft furniture	15,888,659	16,975,213
Crockery, cutlery and glassware	15,134,733	16,752,965
	4,143,191,381	**3,943,421,686**
In the course of construction		
Capital work-in-progress	**9,821,470**	**18,832,736**
Carrying value	**4,153,012,851**	**3,962,254,422**

13.2.1 During the financial year, the company acquired property, plant and equipment to the aggregate value of Rs 587,811,682/- (2025 - Rs 345,747,704/-) including cost incurred on capital work in progress of which Rs.250,957,642 /- (2025 - Rs. 260,616,547/-). Cash payments amounted to Rs. 327,842,774/- (2025 - Rs. 345,747,704/-) were made during the year for purchase of property, plant and equipment.

13.3 Revaluation of freehold land and buildings including swimming pool and farm structure

Freehold land and buildings including swimming pool and farm structure of the Group were revalued by Mr. E.G. Jayatissa, a professional valuer considering the existing use as the highest and best use and considering the nature, location and condition of the properties. Effective date of the valuations of the Company and subsidiary was 31 March 2025. Note 2.4 (c) to the financial statements describes the valuation process of the Group.

Set out below is a comparison of the carrying amounts and fair value of the Group's land and buildings as at the reporting date.

Company

	Carrying Value	Fair Value
Land	2,257,000,000	2,257,000,000
Buildings, swimming pool and farm structure	1,546,444,750	1,546,444,750

Group

	Carrying Value	Fair Value
Land	2,467,300,000	2,467,300,000
Buildings, swimming pool and farm structure	2,032,080,687	2,032,080,687

Valuation technique, inputs and relationship with fair value

The fair value measurement for the freehold land and buildings of the Group has been categorized as a Level 3 fair value measurement based on the inputs to the valuation technique used in market comparable method.

Significant unobservable valuation input:	Range
The Nuwara Eliya Hotels Co.PLC	
Nature of the property - 4 star Tourist hotel	
Location - Nuwara Eliya	
Price per perch	Rs. 40,000/- - Rs.1,500,000/-
Price per sq.ft	Rs. 1,300/- - Rs.20,000/-
Fair View Hotel (Pvt) Ltd	
Nature of the property - Tourist boutique hotel	
Location - Colombo 06	
Price per perch	Rs. 12,000,000/-
Price per sq.ft	Rs.20,000/-

Significant increases/(decreases) in estimated price per square meter and price per perch in isolation would result in a significantly higher/ (lower) fair value on a linear basis.

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:

	2026			2025		
	Cost Rs.	Accumulated Depreciation Rs.	Carrying value Rs.	Cost Rs.	Accumulated Depreciation Rs.	Carrying value Rs.
Group						
Freehold land	66,563,275	-	66,563,275	66,563,275	-	66,563,275
Buildings	1,131,248,322	202,916,155	928,332,167	954,430,072	159,911,658	794,518,414
Total	**1,197,811,597**	**202,916,155**	**994,895,442**	**1,020,993,347**	**159,911,658**	**861,081,689**
Company						
Freehold land	773,000	-	773,000	773,000	-	773,000
Buildings	711,363,598	135,254,473	576,109,125	534,545,348	96,534,510	438,010,838
Total	**712,136,598**	**135,254,473**	**576,882,125**	**535,318,348**	**96,534,510**	**438,783,838**

Notes to the Financial Statements contd.
Year ended 31 March 2026

14 RIGHT OF USE ASSETS

	Group		Company	
	2026 Rs.	2025 Rs.	2026 Rs.	2025 Rs.
Leasehold lands	2,800,000	4,000,000	-	-
	2,800,000	4,000,000	-	-

14.1 Nature of the leasehold properties and cash outflows

	Purpose	Lease Term
Leasehold lands	Staff Quarters	2023-2028

14.2 Set out below are the carrying amounts of right-of-use assets recognized and the movements during the year

	Group		Company	
	2026 Rs.	2025 Rs.	2026 Rs.	2025 Rs.
As at 1 April	4,000,000	5,200,000	-	-
Depreciation expenses	(1,200,000)	(1,200,000)	-	-
As at 31 March	2,800,000	4,000,000	-	-

14.3 The following are the amounts recognized in profit or loss in respect of ROU assets and related lease liabilities:

	Group		Company	
	2026 Rs.	2025 Rs.	2026 Rs.	2025 Rs.
Depreciation expense of right-of-use assets	1,200,000	1,200,000	-	-
Total amount recognized in profit or loss	1,200,000	1,200,000	-	-

14.4 Future lease commitments

Lease payments related to the leashold land has been fully paid as at the date of transition and there is no future committements on the same.

15 INTANGIBLE ASSETS

	Group		Company	
	2026 Rs.	2025 Rs.	2026 Rs.	2025 Rs.
Cost				
Opening balance	36,204,812	35,596,669	34,510,849	33,902,706
Additions	338,062	608,143	338,062	608,143
Closing balance	36,542,874	36,204,812	34,848,911	34,510,849
Accumulated amortization				
Opening balance	17,574,124	14,506,261	15,966,763	13,068,294
Amortizations	3,160,001	3,067,863	3,073,399	2,898,469
Closing balance	20,734,125	17,574,124	19,040,162	15,966,763
Carrying Value	15,808,749	18,630,688	15,808,749	18,544,086

15.1 The cost incurred on purchase of computerized accounting software and Opera & Simphony System have been recognized as intangible assets and amortized over a period of 10 years on a straight-line basis.

16 BIOLOGICAL ASSETS

	Group/Company	
	2026 Rs.	2025 Rs.
Carrying value at the beginning of the year	1,984,430	4,660,464
Additions during the year	19,000	122,754
Decrease due to sales	(623,640)	(5,314,486)
Gain from changes in weight and value	1,444,445	2,515,698
At the end of the year	**2,824,235**	**1,984,430**

Biological assets comprise of piggery and cattle stock, which have been valued at the reporting date by an independent, consultant veterinary surgeon, based on the circular issued by the National Livestock Development Board (NLDB).

Following variables are significant in determining the fair value of the above live stocks:

a - Weight c - Age
b - Pregnancy d - Rates as per 05/2025 NLDB Circular

16.1 FAIR VALUE HIERARCHY

The Fair Value measurements of Live stock have been categorized as level 3 fair values based on observerable market sales data.

Valuation techniques and significant unobservable inputs

Type	*Sensitivity analysis*
Livestock comprises cattle and pigs characterized as commercial breeders	Significant increases/(decreases) in estimated price per 1Kg of live weight in isolation would result in a significantly higher/ (lower) fair value on a linear basis.

17 INVESTMENT IN SUBSIDIARIES

		Company	
		2026 Rs.	2025 Rs.
Fair View Hotel (Private) Limited	(Note 17.1)	444,996,000	444,996,000
		444,996,000	444,996,000

17.1 Investment in subsidiary- Fair View Hotel (Private) Limited

Number of shares	44,499,600	44,499,600
Holding %	74%	74%
Cost of the investment Rs.	444,996,000	444,996,000

Based on the Management's assessment which considered the net assets of the subsidiary, other indications and current operations, the above investment in subsidiary is not impaired as at the reporting date.

Notes to the Financial Statements contd.
Year ended 31 March 2026

17.2 Non-controlling interest (NCI) in subsidiary
Financial information of the Fair View Hotel (Private) Ltd that have material non-controlling interests is provided below.

	2026	2025
NCI percentage (%)	26%	26%

17.2.1 Summarized statement of profit or loss and other comprehensive income

	2026 Rs.	2025 Rs.
Revenue	186,966,703	172,781,583
Cost of sales	(24,426,440)	(24,696,939)
Gross profit	162,540,263	148,084,644
Other income	62,534	335,357
Operating expenses	(126,912,448)	(118,670,142)
Finance income	28,799,841	21,659,883
Finance costs	(96,419)	(113,191)
Profit before tax	64,393,771	51,296,551
Income tax expense	(13,694,449)	(16,916,092)
Profit for the year	50,699,322	34,380,459
Other comprehensive income/ (loss)	(48,568)	56,319,725
Total comprehensive income/ (loss)	50,650,754	90,700,184
Profit attributable to NCI	13,097,663	8,881,848

17.2.2 Summarized statement of financial position

Non-current assets	727,697,290	738,320,419
Current assets	364,245,594	291,769,192
Total assets	**1,091,942,885**	**1,030,089,611**
Non-current liabilities	145,238,045	145,925,345
Current liabilities	33,005,459	21,115,625
Equity	913,699,380	863,048,640
Total equity and liabilities	**1,091,942,883**	**1,030,089,610**
Total equity attributable to:		
Equity holders of parent	677,890,440	640,324,816
Non-controlling interest	235,808,940	222,723,825
	913,699,380	863,048,640

17.2.3 Summarized cash flow information

	2026 Rs.	2025 Rs.
Cash flows from operating activities	52,607,479	28,984,466
Cash flows used in investing activities	(55,961,143)	(39,150,718)
Cash flows used in finance activities	-	-
Net increase/ (decrease) in cash and cash equivalents	(3,353,664)	(10,166,251)

18 OTHER FINANCIAL ASSETS

		Group		Company	
		2026	2025	2026	2025
Financial assets at fair value through OCI		Rs.	Rs.	Rs.	Rs.
Listed equity investments	(Note 18.1)	403,509,056	380,970,268	403,509,056	380,970,268
Equity instruments designated at fair value through profit or loss					
Listed equity investments	(Note 18.2)	72,948,080	58,322,657	72,948,080	58,322,657
Total financial assets at fair value		**476,457,136**	**439,292,925**	**476,457,136**	**439,292,925**
Debt instruments at amortized cost					
Trade and other receivables	(Note 20)	142,630,966	213,881,442	138,550,904	209,999,422
Investments in fixed deposits	(Note 18.3)	3,401,548,645	2,674,477,670	3,060,312,866	2,410,412,686
Total financial assets at amortized cost		**3,544,179,611**	**2,888,359,112**	**3,198,863,770**	**2,620,412,108**
Total financial assets		**4,020,636,747**	**3,327,652,037**	**3,675,320,906**	**3,059,705,033**
Total non-current financial assets		**403,509,056**	**380,970,268**	**403,509,056**	**380,970,268**
Total other current financial assets		**3,474,496,725**	**2,732,800,327**	**3,133,260,946**	**2,468,735,343**

Equity instruments designated at fair value through OCI and Financial assets at fair value through profit or loss

This include investments in equity shares of listed companies. The Group holds non-controlling interests in these companies. These to be strategic in nature investments were irrevocably designated at fair value through OCI and profit or loss as the Group considers these investments. The fair value of these investments is determined by reference to published price quotations in the Colombo stock exchange as at 31 March 2026. Note 12.1 provides further details of comparison of carrying values and fair values of equity investments.

18.1 Financial assets at fair value through OCI

		Group/ Company	
		2026	2025
		Rs.	Rs.
Investment in quoted shares	(Note 18.1.1)	403,509,056	380,970,268
		403,509,056	380,970,268

Notes to the Financial Statements contd.
Year ended 31 March 2026

18.1.1 Investment in quoted shares

	No. of Shares 2026	No. of Shares 2025	2026 Cost Rs.	2026 Market Value Rs.	2025 Cost Rs.	2025 Market Value Rs.
Group/Company						
Royal Palm Beach Hotels PLC	2,750,000	2,750,000	28,895,047	139,150,000	28,895,047	90,750,000
John Keells Holding PLC	14,367,340	14,367,340	262,367,917	264,359,056	262,367,917	290,220,268
			291,262,964	403,509,056	291,262,964	380,970,268
Fair value adjustment of investments			112,246,092	-	89,707,304	-
Carrying value of investments in quoted equity securities			403,509,056	403,509,056	380,970,268	380,970,268

18.2 Equity instruments designated at fair value through profit or loss

Investment in quoted shares	2026 No. of shares	2026 Fair value Rs.	2025 No. of shares	2025 Fair value Rs.
Group/Company				
The Light House Hotel PLC	520,123	33,912,020	520,123	30,219,142
Overseas Realty (Ceylon) PLC	750,750	30,630,600	750,750	17,792,775
John Keells Hotels PLC	500,000	8,100,000	500,000	10,100,000
Ceylon Investment PLC	1,719	173,185	1,719	123,080
Ceylon Guardian Investment Trust PLC	572	132,275	572	87,659
		72,948,080		58,322,657

18.3 Investments in fixed deposits

This includes the fixed deposits placed with Mercantile Investment and Finance PLC, Bank of Ceylon, LB Finance, Sampath Bank PLC and Hatton National Bank PLC. All of these deposits mature within 12 months.

	Credit Rating	Group 2026 Rs.	Group 2025 Rs.	Company 2026 Rs.	Company 2025 Rs.
Mercantile Investment and Finance PLC	BBB-	2,148,870,165	1,887,764,367	1,897,546,418	1,656,933,378
Bank of Ceylon	AA-	187,934,747	188,048,356	187,934,747	188,048,356
LB Finance PLC	A-	280,582,748	155,905,286	280,582,748	155,905,286
Sampath Bank PLC	AA-	579,703,621	301,435,386	557,310,791	282,627,028
Hatton National Bank PLC	AA-	204,457,363	141,324,276	136,938,162	126,898,638
		3,401,548,645	2,674,477,670	3,060,312,866	2,410,412,686

19 INVENTORIES

	Group 2026 Rs.	Group 2025 Rs.	Company 2026 Rs.	Company 2025 Rs.
Food and beverages	37,661,567	30,542,897	36,259,745	29,375,137
Consumables, books and general	37,472,990	26,804,589	32,909,867	21,852,664
Grand boutique	2,298,376	2,823,792	2,298,376	2,823,792
	77,432,933	60,171,278	71,467,988	54,051,593

20 TRADE AND OTHER RECEIVABLES

		Group 2026 Rs.	Group 2025 Rs.	Company 2026 Rs.	Company 2025 Rs.
Trade receivables		135,650,101	193,604,693	133,957,549	192,475,899
Other receivables		8,903,783	21,117,259	6,516,273	18,364,033
Amounts due from related parties	(Note 20.1)	-	49,328	-	49,328
		144,553,884	214,771,280	140,473,822	210,889,260
Allowance for expected credit losses	(Note 20.2)	(1,922,918)	(889,838)	(1,922,918)	(889,838)
		142,630,966	213,881,442	138,550,904	209,999,422

20.1 AMOUNTS DUE FROM RELATED COMPANIES

Entity	Relationship	Group 2026 Rs.	Group 2025 Rs.	Company 2026 Rs.	Company 2025 Rs.
Mercantile Fortunes (Private) Ltd	Other related company	-	49,328	-	49,328
		-	49,328	-	49,328

20.2 Allowance for expected credit losses

Balance as at the beginning of period	(889,838)	(144,502)	(889,838)	(144,502)
Changes in impairment for the period	(1,033,080)	(745,336)	(1,033,080)	(745,336)
Balance as at end of the period	**(1,922,918)**	**(889,838)**	**(1,922,918)**	**(889,838)**

Management has carried out an impairment provision based on the simplified approach of ECL method. Therefore, the Group does not track changes in credit risk, but instead recognizes 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. Management considered 100% ECL for debtors aged more than 365 days in determining the provision matrix for ECL.

Trade and other receivables are non-interest bearing and generally on terms of 30 to 90 days credit.

Notes to the Financial Statements contd.
Year ended 31 March 2026

As at 31 March, the ageing analysis of trade receivables is, as follows

	Group		Company	
	2026 Rs.	2025 Rs.	2026 Rs.	2025 Rs.
Neither past due nor impaired	94,415,135	122,169,182	94,415,135	122,169,182
Past due but not impaired				
31-60 days	36,724,713	61,096,420	35,032,160	59,967,626
61-90 days	1,931,863	9,435,420	1,931,863	9,435,420
> 90 days	2,578,391	903,671	2,578,391	903,671
Gross carrying value	135,650,101	193,604,693	133,957,548	192,475,899
Provision for impairment	(1,922,918)	(889,838)	(1,922,918)	(889,838)
Total	**133,727,183**	**192,714,855**	**132,034,630**	**191,586,061**

21 CASH AND CASH EQUIVALENTS

	Group		Company	
	2026 Rs.	2025 Rs.	2026 Rs.	2025 Rs.
Favorable cash and bank balances				
Cash in hand	1,207,000	1,239,900	1,007,000	1,029,900
Cash at bank	96,746,832	105,205,952	87,239,013	88,994,991
	97,953,832	106,445,852	88,246,013	90,024,891
Unfavorable cash and bank balances				
Bank Overdraft	(43,027,706)	(15,166,151)	(43,027,706)	(11,806,674)
Total cash and cash equivalents for the purpose of cash flow statement	54,926,126	91,279,701	45,218,307	78,218,217

The identified impairment loss on Cash and cash equivalents was immaterial.

Bank overdrafts

Interest rate is AWPLR + 2.5 Per annum.

At 31 March 2026, the Group had available Rs. 38,938,445/- (2025: 66,800,000/-) of undrawn bank overdraft/borrowing facilities.

22 STATED CAPITAL

	Group/Company		Group/Company	
	Number of shares 2026 Rs.	2025 Rs.	2026 Rs.	2025 Rs.
Ordinary shares	2,186,040	2,186,040	335,151,740	335,151,740
7% Participating cumulative preference shares (Note 22.1)	5,800	5,800	58,000	58,000
	2,191,840	2,191,840	335,209,740	335,209,740

22.1 7% Cumulative participating preference shares

The cumulative participating preference shares are entitled to a cumulative dividend of 7% per annum on the amount of each such preference share prior to the payment of any dividend to ordinary share holders and ordinary shareholders shall have received a dividend for a likely amount from any balance remaining over for division, then the shareholders of such preference shares shall be entitled to join with the ordinary share holders pari pasu in the division of any then remaining balance.

23 REVALUATION RESERVE

Nature and purpose of the reserve

Revaluation reserve is used to record increments and decrements on the revaluation of 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. Refer accounting policy note 2.4 (i) for details.

	Group		Company	
	2026 Rs.	2025 Rs.	2026 Rs.	2025 Rs.
Opening balance	2,221,206,166	1,858,196,581	2,051,664,269	1,730,427,714
Transferred to retained earnings (additional depreciation on revaluation)	(59,561,640)	(44,994,841)	(59,561,640)	(44,994,841)
Revaluation of lands and buildings	-	593,592,325	-	523,187,708
Income tax effect on revaluation of land and buildings	-	(171,037,236)	-	(156,956,312)
Transfers to non controlling interests*	-	(14,550,663)	-	-
	2,161,644,526	2,221,206,166	1,992,102,628	2,051,664,269

*Effective portion of the Revaluation reserve of subsidiary attributable to non controlling stake has transferred to non-controlling interest.

24 FAIR VALUE RESERVE OF FINANCIAL ASSETS AT FVOCI

Nature and purpose of the reserve

Changes in the fair value arising on translation of quoted equity investments that are classified as financial assets at fair value through OCI, are recognized in other comprehensive income and accumulated in a separate reserve within equity. This amount can not be reclassified to profit or loss when the associated assets are sold. Refer accounting policy note 2.4 (m) for details.

	Group/Company FVTOCI Reserve	
	2026 Rs.	2025 Rs.
As at 1st April	89,707,304	65,522,624
Change in fair value	22,538,788	24,184,680
As at 31st March	**112,246,092**	**89,707,304**

Refer Note 18.1.1 for further details of the FVOCI financial assets.

Notes to the Financial Statements contd.
Year ended 31 March 2026

25 OTHER FINANCIAL LIABILITIES

25.1 Interest Bearing Loans and Borrowings - Group

		2026			2025		
		Amount Repayable Within 1 Year Rs.	Amount Repayable After 1 Year Rs.	Total Rs.	Amount Repayable Within 1 Year Rs.	Amount Repayable After 1 Year Rs.	Total Rs.
Bank Overdrafts	(Note 21)	43,027,706	-	43,027,706	15,166,151	-	15,166,151
		43,027,706	-	43,027,706	15,166,151	-	15,166,151

25.2 Interest Bearing Loans and Borrowings - Company

		2026			2025		
		Amount Repayable Within 1 Year Rs.	Amount Repayable After 1 Year Rs.	Total Rs.	Amount Repayable Within 1 Year Rs.	Amount Repayable After 1 Year Rs.	Total Rs.
Bank Overdrafts	(Note 21)	43,027,706	-	43,027,706	11,806,674	-	11,806,674
		43,027,706	-	43,027,706	11,806,674	-	11,806,674

26 DEFERRED TAX LIABILITY

	Group		Company	
	2026 Rs.	2025 Rs.	2026 Rs.	2025 Rs.
Opening balance	1,143,707,399	977,291,862	1,002,030,969	860,287,095
Charge/ (reversal) through statement of profit or loss	(7,596,850)	(2,654,806)	(5,491,538)	(13,246,538)
Income tax effect on actuarial gain/(loss) through OCI	4,285,378	(1,966,892)	4,297,520	(1,965,899)
Income tax effect on revaluation of land and buildings	-	171,037,236	-	156,956,312
Closing balance	**1,140,395,928**	**1,143,707,399**	**1,000,836,952**	**1,002,030,969**

The deferred tax (asset)/liability on each temporary difference which were recognized in the financial statements are disclosed below.

26.1 Deferred Tax - Group

	Statement of financial position		Statement of profit or loss	
	2026 Rs.	2025 Rs.	2026 Rs.	2025 Rs.
Deferred tax liability				
Capital allowances for tax purpose	225,052,412	228,850,919	(3,798,508)	(618,967)
Deferred tax effect on revaluation of buildings	255,887,661	226,985,715	-	-
Deferred tax effect on revaluation of land	676,868,100	705,770,046	-	-
	1,157,808,173	1,161,606,680	(3,798,508)	(618,967)
Deferred tax assets				
Retirement benefit obligation - recognized through statement of profit or loss	(16,287,927)	(12,708,306)	(3,579,621)	(1,790,095)
Retirement benefit obligation - recognized through other comprehensive Income	(547,443)	(4,901,881)	-	-
Deferred tax effect on impairment provisions	(576,875)	(266,951)	(309,924)	(223,601)
Deferred tax effect on unutilized taxable losses	-	(22,144)	22,144	(22,144)
	(17,412,245)	(17,899,282)	(3,867,401)	(2,035,839)
Deferred taxation charge			(7,596,850)	(2,654,806)
Net deferred tax liability	1,140,395,927	1,143,707,398		

26.2 Deferred Tax - Company

	Statement of financial position		Statement of profit or loss	
	2026 Rs.	2025 Rs.	2026 Rs.	2025 Rs.
Deferred tax liability				
Capital allowances for tax purpose	141,194,063	143,139,003	(1,944,940)	(11,360,326)
Deferred tax effect on revaluation of buildings	199,051,219	199,051,220	-	-
Deferred tax effect on revaluation of land	676,868,100	676,868,100	-	-
	1,017,113,382	1,019,058,323	(1,944,940)	(11,360,326)
Deferred tax assets				
Retirement benefit obligation - recognized through statement of profit or loss	(15,164,255)	(11,927,582)	(3,236,673)	(1,662,611)
Retirement benefit obligation - recognized through other comprehensive income	(535,301)	(4,832,821)	-	-
Deferred tax effect on impairment provisions	(576,875)	(266,951)	(309,924)	(223,601)
Deferred tax effect on unutilized taxable losses	-	-	-	-
	(16,276,432)	(17,027,353)	(3,546,597)	(1,886,212)
Deferred taxation charge			(5,491,538)	(13,246,538)
Net deferred tax liability	1,000,836,951	1,002,030,970		

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Year ended 31 March 2026

27 RETIREMENT BENEFIT OBLIGATIONS

	Group		Company	
	2026	2025	2026	2025
	Rs.	Rs.	Rs.	Rs.
Opening balance	60,116,928	47,379,515	55,868,010	43,772,974
Interest cost	6,011,693	5,685,542	5,586,801	5,252,757
Current service cost	8,047,839	6,048,571	7,103,292	5,349,340
Actuarial loss/ (gain)	(14,264,357)	6,557,959	(14,325,067)	6,552,998
Payments during the year	(1,901,182)	(5,554,659)	(1,901,182)	(5,060,059)
Closing balance	**58,010,921**	**60,116,928**	**52,331,854**	**55,868,010**

27.1 Following amount are recognized in profit or loss and other comprehensive income during the year in respect of the retirement benefit obligation.

Amount recognized in profit or loss				
Interest cost	6,011,693	5,685,542	5,586,801	5,252,757
Current service cost	8,047,839	6,048,571	7,103,292	5,349,340
	14,059,532	11,734,113	12,690,093	10,602,097
Amount recognized in other comprehensive income/(loss)				
Actuarial loss/(gain) for the year	(14,264,357)	6,557,959	(14,325,067)	6,552,998
	(14,264,357)	6,557,959	(14,325,067)	6,552,998

The retirement benefit obligation of the Group is based on the actuarial valuation carried out by Actuarial & Management Consultants (Private) Limited; an independent professional actuarial valuer. The projected unit credit method is used to determine the present value of the defined benefit obligation and the current service cost. Actuarial gain/(loss) is related to the changes in financial assumptions compared to the previous year. There is no material changes in demograpic assumptions compared to the previous year.
The key assumption used in determining above were as follows;

		2026	2025
(1) Rate of discount		10%	10%
(2) Salary increment		10%	10%
(3) Staff turnover rates	**Age**	**Rates**	
	18-34	0.34	0.37
	35-45	0.2	0.25
	>45	0.09	0.12
(4) Staff retirement age		60 Years	60 Years

27.2 A quantitative sensitivity analysis for significant assumptions as at 31st march 2026 and 2025 are shown below:

	Expected future salaries		Discount rate	
	1% increase	1% decrease	1% increase	1% decrease
Group				
2026				
Change in present value of defined benefit obligation	3,136,310	(2,921,681)	(2,732,971)	2,982,904
2025				
Change in present value of defined benefit obligation	2,995,349	(2,799,067)	(2,632,279)	2,864,193
Company				
2026				
Change in present value of defined benefit obligation	2,981,201	(2,773,896)	(2,611,282)	2,852,667
2025				
Change in present value of defined benefit obligation	2,907,966	(2,716,119)	(2,537,250)	2,762,735

27.3 The expected maturity analysis of defined benefit obligation as at 31st March 2026 and 31st March 2025 are as follows:

	Group		Company	
	2026 Rs.	2025 Rs.	2026 Rs.	2025 Rs.
Less the 1 year	5,404,964	10,132,212	5,404,964	10,132,212
Between 1-5 years	32,418,115	31,300,218	26,739,048	27,051,301
Over 5 years	20,187,841	18,684,498	20,187,841	18,684,498
	58,010,920	60,116,928	52,331,853	55,868,010
The average duration of the defined benefit plan obligation at the end of the year			5.7 Years	5 Years

28 TRADE AND OTHER PAYABLES

		Group 2026 Rs.	Group 2025 Rs.	Company 2026 Rs.	Company 2025 Rs.
Trade payables		123,304,349	89,972,065	102,233,458	84,613,245
Amounts due to related companies	(Note 28.1)	3,036,107	2,469,434	2,664,647	2,149,679
Accrued expenses		172,239,148	136,759,019	172,572,840	126,264,326
		298,579,604	229,200,518	277,470,945	213,027,250

Terms and conditions of the above financial liabilities:
- Trade payables and accrued expenses are non-interest bearing and are normally settled on 60-120 day terms
- For terms and conditions with related parties, refer to Note 30.1

For explanations on the Group's liquidity risk management processes, refer to Note 33

28.1 AMOUNTS DUE TO RELATED COMPANIES

		Group		Company	
	Relationship	2026 Rs.	2025 Rs.	2026 Rs.	2025 Rs.
Nilaveli Beach Hotel (Pvt) Ltd	Other related company	-	21,850	-	-
Tangerine Beach Hotels PLC	Other related company	-	1,361	-	1,361
Royal Palm Beach Hotels PLC	Other related company	49,531	44,442	49,531	44,442
Tangerine Tours (Pvt) Ltd	Other related company	277,502	312,721	277,502	312,721
Mercantile Investments & Finance PLC	Other related company	193,520	-	193,520	-
Security Ceylon (Pvt) Ltd	Other related company	2,515,554	2,089,060	2,144,094	1,791,155
		3,036,107	2,469,434	2,664,647	2,149,679

29 CONTRACT LIABILITIES

	Group		Company	
	2026 Rs.	2025 Rs.	2026 Rs.	2025 Rs.
Advance received for future bookings	37,920,488	32,680,941	37,388,094	32,234,863
	37,920,488	32,680,941	37,388,094	32,234,863
Opening balance	32,680,941	41,236,251	32,234,863	40,731,949
Advance received during the year	57,520,896	85,734,697	56,988,498	50,716,709
Set off against the receivables	(52,281,349)	(94,290,007)	(51,835,267)	(59,213,796)
Closing balance	37,920,488	32,680,941	37,388,094	32,234,863

Notes to the Financial Statements contd.
Year ended 31 March 2026

30 RELATED PARTY DISCLOSURES
30.1 Transactions with related parties

Name of the related party	Relationship	Nature of transactions	Terms of transactions
a. Transactions with Subsidiaries - Recurring transactions			
Fair View Hotel (Private) Ltd	Subsidiary	Salaries to Staff Audit Committee Refreshments Settlements	
b. Transactions with other related companies - Recurring transactions			
Security Ceylon (Private) Ltd	Other related company	Security services Security staff meals Settlements	As per agreement Cost + Margin
Tangerine Beach Hotels PLC	Other related company	Salaries to staff Telephone charges Subscription Business Promotion Settlements	Reimbursement of Cost Reimbursement of Cost Reimbursement of Cost Reimbursement of Cost
Tangerine Tours (Private) Ltd	Other related company	Salaries to staff Travelling Expenses Revenue from operations Settlements	Reimbursement of Cost Reimbursement of Cost As per agreement
Mercantile Investments & Finance PLC	Other related company	Repairs & services to fleet vehicles Rent Salaries to Staff Telephone & Wi-Fi Charges Settlements Fixed deposit made Upliftment of fixed deposit Interest income	Market Terms Market Terms Reimbursement of Cost Reimbursement of Cost Market terms Market terms Market terms
Royal Palms Beach Hotels PLC	Other related company	Salaries to staff Settlements	Reimbursement of Cost
Mercantile Fortunes (Private) Ltd	Other related company	Payment for flooring Settlements	Market Terms
Nilaveli Beach Hotels (Private) Ltd	Other related company	Charges settlement	Reimbursement of Cost

Figures in brackets indicates payables

There were no non-recurring related party transactions during the year and all related party transactions have been conducted on an agreed commercial terms with respective parties.

Transaction Value				Balance as at 31 March	
2026 Rs.	Aggregate Value of the RPT as a % of the Net Revenue/ Income	2025 Rs.	Aggregate Value of the RPT as a % of the Net Revenue/ Income	2026 Rs.	2025 Rs.
(49,531)	0.00%	(1,581,200)	0.07%	-	-
(42,117)	0.00%	(28,395)	0.00%		
91,648		1,609,595			
(22,596,091)	1.00%	(21,222,131)	0.97%	(2,144,094)	(1,791,155)
2,248,703	0.10%	3,013,875	0.14%		
22,243,153		18,036,222			
(154,533)	0.01%	(703,739)	0.03%	-	(1,361)
(31,750)	0.00%				
(328,625)	0.01%				
(84,219)	0.00%				
600,488		774,134			
(5,239,322)	0.23%	(4,988,980)	0.23%	(277,502)	(312,721)
(724,387)	-0.03%	-			
11,512,183	0.51%	17,256,879	0.79%		
5,998,928		4,868,231			
(6,513,024)	0.29%	(5,118,032)	0.31%	(193,520)	-
(2,312,922)	0.10%	(1,328,400)	0.11%		
(193,520)	0.01%	(193,520)	0.01%		
(8,000)	0.00%	-			
9,061,727		5,079,996			
(260,000,000)	11.49%	(180,977,427)	14.94%	1,897,546,418	1,656,933,378
125,477,950	5.54%	119,081,881	11.32%		
151,558,382	6.70%	118,408,403	7.13%		
(686,966)	0.03%	(5,080,554)	0.23%	(49,531)	(44,442)
731,407		5,143,266			
(1,168,738)	0.05%	(3,663,531)	0.17%	-	49,328
1,119,410		3,419,980			
(25,000)	0.00%	-	0%	-	-
25,000					

Notes to the Financial Statements contd.
Year ended 31 March 2026

30.2 Transactions with key management personnel
Key management personnel include members of the board of directors of the company. Following transactions have been entered in to with the key management personnel.

	2026 Rs.	2025 Rs.
Short-term employee benefits	13,401,400	12,865,672
	13,401,400	12,865,672

31 EVENTS OCCURRING AFTER THE REPORTING DATE
There have been no other material events occurring after the reporting date that require adjustment to or disclosure in the financial statements.

32 COMMITMENTS AND CONTINGENCIES
32.1 Contingent Liabilities
The Company has contingent liabilities in respect of legal claims arising in the ordinary course of business. Based on currently available information and legal advice, the Directors believe that the ultimate resolution of these matters is unlikely to result in a material adverse impact on the Company’s financial position, results of operations, or liquidity.

As at the reporting date, the contingent liabilities of the Company are as follows:

(a) Labour Tribunal Cases
The Company is a defendant in several Labour Tribunal cases filed by former employees, primarily relating to claims for reinstatement and compensation. The details of these cases are summarised below:

Name/Institution	Nature	Case No.
Labour Tribunal	Claim for reinstatement and compensation.	09/NE/05/2025
Labour Tribunal	Claim for reinstatement and compensation.	09/NE/06/2025
Labour Tribunal	Claim for reinstatement and compensation.	09/NE/07/2025

Given the nature of these claims and based on legal advice obtained, the Directors believe that an outflow of economic resources is not probable and therefore no provision has been recognised.

(b) Municipal Council Claim
The Municipal Council has made a claim equivalent to 0.6% of the Company’s turnover for trade license fees relating to the financial years 2023, 2024, and 2025. The Company has formally disputed this claim, and legal proceedings are currently ongoing at the Nuwara Eliya Magistrate Court.

Based on current assessments, the estimated financial exposure relating to this matter amounts to approximately Rs. 36.9 million. Due to the ongoing nature of the legal process, there remains uncertainty regarding the timing and final outcome of this matter. Accordingly, no provision has been recognised in the financial statements.

33 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial assets include trade and other receivables, cash and fixed deposits that arrive directly from its operations. The Group also holds non-current financial assets such as FVOCI financial assets and equity investments designated under fair value through profit or loss. The Group's principal financial liabilities comprise trade and other payables and bank overdrafts. The main purpose of these financial liabilities is to finance the Group's operations and to provide guarantees to support its operations.

The Group is exposed to market risk, credit risk and liquidity risk.

The Group's senior management oversees the management of these risks. The Group's senior management is supported by the Audit committee and board that advises on financial risks and the appropriate financial risk governance framework for the Group. The board provides assurance to the Group's senior management that the group's financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with group policies and Group risk appetite.

The Board of directors reviews and agrees policies for managing each of these risks which are summarized below.

Market risk
Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise four types of risk: interest rate risk, currency risk, commodity price risk and other price risk, such as equity price risk. Financial instruments affected by market risk include bank overdrafts, debt and equity investments and investments designated under fair value through profit or loss.

The sensitivity analyses in the following sections relate to the position as at 31 March 2026 and 2025.

Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates is minimal as it relates primarily to the Group's investments in fixed deposits which are not more than 12 months of maturity , bank overdrafts and loan term debt obligation.

Foreign currency risk
Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when room rates are denominated in a foreign currency).

Foreign currency sensitivity
The following table demonstrate the sensitivity to a reasonably possible change in USD exchange rates, with all other variables held constant. The Group's exposure to foreign currency changes for all other currencies is not material.

	Change in USD rate	Effect on profit/ loss before tax
2026	+ 5%	14,449,870
	- 5%	(14,449,870)
2025	+ 5%	16,866,644
	- 5%	(16,866,644)

Notes to the Financial Statements contd.
Year ended 31 March 2026

Equity price risk
The Group's listed equity investments are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group manages the equity price risk through diversification and by placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Group's senior management on a regular basis. The Group's Board of Directors reviews and approves all equity investment decisions.

As at the reporting date, the exposure to non-listed equity investments is immaterial.

Group's equity investments are publicly traded and are included in all share price index (ASPI) of Colombo stock exchange (CSE). Changes in fair values of the equity investments held are strongly positively correlated with changes of the market index.

At the reporting date, the Group's exposure to equity securities at fair value was Rs. 476,457,136 /- (2025 - Rs. 439,292,925/-). The changes in fair values of the equity investments held are strongly positively correlated with changes of the market prices.

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 term deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

The maximum exposure to credit risk for trade and other receivables at the reporting date by the type of counter parties are as follows:

	2026 Rs.	2025 Rs.
Trade and other receivables	142,630,966	213,881,442
Other current financial assets	3,474,496,725	2,732,800,327
Non-current financial assets	403,509,056	380,970,268
Cash and short term deposits	97,953,832	106,445,852
	4,118,590,579	3,434,097,889

Trade and other receivables
The maximum exposure to the credit risk of the trade and other receivables in the statement of financial position as at 31 March 2026 and 2025 is the carrying amounts as disclosed in Note 20.

The maximum exposure to credit risk for trade and other receivables at the reporting date by the type of counter parties are as follows:

	2026 Rs.	2025 Rs.
Corporate debtors	135,650,101	193,604,693
	135,650,101	193,604,693

The Group has established policies, procedures and controls to manage the credit risk of Travel Agents of the Group. The Group carefully evaluating travel agents credentials and credit worthiness prior to contracting with them and as at reporting date all of the trade receivables are due from well established local travel agents. There is no Risk exposure to receivables from individuals as at reporting date.

An impairment analysis is performed at each reporting date using a provision matrix (simplified approach) to measure expected credit losses. The Group has received all the dues within agreed credit period in the past without any delays. The management also considered the local and global economic indicators and the results of negotiations and subsequent cash receipts in determining the provision for impairment.

Trade and other receivables

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

31 March 2026	Trade receivables						
	Days past due						
	0–30 days	31–60 days	61–90 days	91-120 days	121-150 days	>151 days	Total
Expected credit loss rate	0.9%	2.2%	4.2%	7.4%	16.5%	20.0%	
Estimated total gross carrying amount at default	94,415,135	35,032,160	1,931,863	2,120,272	150,698	307,421	133,957,548
Expected credit loss	827,832	770,708	81,138	156,900	24,855	61,484	1,922,918

31 March 2025	Trade receivables						
	Days past due						
	0–30 days	31–60 days	61–90 days	91-120 days	121-150 days	>151 days	Total
Expected credit loss rate	0.2%	0.6%	2.2%	9.0%	21.0%	45.0%	
Estimated total gross carrying amount at default	122,169,182	59,967,626	9,435,420	711,957	167,623	24,090	192,475,899
Expected credit loss	213,637	358,007	208,051	64,076	35,226	10,841	889,838

Financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed by the Group's senior management in accordance with the Group's policy. Investments of surplus funds generated from hotel operations are made only with approved banks and financial institutions. Deposits are held with banks and financial institutions which are rated BBB- fitch rating or above based on approved rating agencies.

Liquidity risk

Liquidity risk management used to maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due. The maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and lease contracts. The Group has access to a sufficient variety of sources of funding and debt maturing within 12 months can be rolled over with existing lenders.

The table below summarizes exposure to liquidity risk and the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

Year ended 31 March 2026	On demand	Less than 3 months	3 to 12 months	1 to 3 years	Total
	Rs.	Rs.	Rs.		Rs.
Trade and other payables	-	295,543,497	-	-	295,543,497
Amounts due to related companies	-	-	3,036,107	-	3,036,107
Income tax liabilities	-	118,081,898	-	-	118,081,898
Interest bearing loans and borrowings	43,027,706	-	-	-	43,027,706
	43,027,706	413,625,395	3,036,107	-	459,689,208

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Year ended 31 March 2026

Year ended 31 March 2026	On demand	Less than 3 months	3 to 12 months	1 to 3 years	Total
	Rs.	Rs.	Rs.		Rs.
Year ended 31 March 2025					
Trade and other payables	-	226,731,084	-	-	226,731,084
Amounts due to related companies	-	-	2,469,434	-	2,469,434
Income tax liabilities	-	186,009,097	-	-	186,009,097
Interest bearing loans and borrowings	15,166,151	-	-	-	15,166,151
	15,166,151	412,740,181	2,469,434	-	430,375,766

Capital Management
The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence to sustain future development of the business. The Group's objectives when managing capital are to;

(i) Safeguard their ability to continue as a going concern, so that they can continue to provide returns to shareholders and benefits for other stakeholders, and
(ii) Maintain an optimal capital structure to reduce the cost of capital

Management monitors the return on capital, as well as the level of dividends to ordinary shareholders.

The Group monitors capital using a gearing ratio, which is net debt divided by total equity plus net debt. The Group's policy is to keep the gearing ratio at minimum level. The Group includes within net debt, interest bearing loans and borrowings, trade and other payables, less cash and cash equivalents.

		2026	2025
		Rs.	Rs.
Interest-bearing loans and borrowings other than convertible preference shares	(Note 25)	43,027,706	15,166,151
Trade and other payables	(Note 28)	298,579,604	229,200,518
Less-			
Cash and bank balances	(Note 21)	(97,953,832)	(106,445,852)
Net debt		243,653,478	137,920,817
Equity as shown in the statement of financial position		7,416,833,237	6,571,907,218
Total equity and net debt		7,660,486,715	6,709,828,035
Gearing ratio		3%	2%

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2026 and 2025.

Decade at a Glance

GROUP Year ended 31st March	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Trading Results										
Gross Turnover (Rs.' 000)	2,450,197	2,355,665	2,132,294	996,413	645,547	254,955	732,612	1,104,375	1,033,721	1,114,871
Profit / (Loss) before Tax (Rs.' 000)	1,163,410	1,076,084	877,538	146,771	27,940	(143,372)	99,248	357,126	363,692	398,905
Provision for Tax (Rs.' 000)	(351,002)	(313,200)	(296,231)	72,634	18,212	3,263	(24,171)	(51,903)	(77,275)	(61,186)
Profit / (Loss) after Tax (Rs.' 000)	812,408	762,885	581,306	74,137	9,728	(140,109)	75,077	305,223	286,417	337,719
Preference Dividend (Rs.' 000)	-	-	(211)	-	-	-	(93)	(174)	(174)	(174)
Ordinary Dividend (Rs.' 000)	-	-	(79,790)	-	-	-	(34,977)	(65,581)	(65,581)	(60,116)
Retained Profit / (Loss) (Rs.' 000)	812,408	762,885	501,305	74,137	9,728	(140,109)	40,007	239,468	220,662	277,429
Balance Sheet										
Share Capital (Rs.' 000)	335,210	335,210	335,210	335,210	335,210	335,210	335,210	335,210	335,210	80,172
Reserves (Rs.' 000)	6,845,815	6,013,974	4,832,372	4,274,408	4,580,059	4,216,142	4,305,036	4,327,591	3,364,148	3,583,070
Non Controlling interest (Rs.' 000)	235,809	222,724	199,292	204,795	202,732	182,760	191,508	189,534	154,034	149,841
Total Equity (Rs.' 000)	7,416,833	6,571,907	5,366,874	4,814,413	5,118,001	4,734,112	4,831,754	4,852,335	3,853,392	3,813,083
Non Current Assets (Rs.' 000)	5,302,852	5,102,074	4,257,650	4,159,135	4,198,965	3,863,049	3,906,484	4,022,109	3,139,772	3,107,602
Current Assets (Rs.' 000)	3,809,998	3,136,715	2,655,614	1,783,544	1,597,860	1,441,512	1,481,070	1,440,563	1,207,264	991,988
Current Liabilities (Rs.' 000)	(497,610)	(463,057)	(521,720)	(211,183)	(197,940)	(144,634)	(116,292)	(171,515)	(174,866)	(183,718)
Net Current Assets (Rs.' 000)	3,312,388	2,673,658	2,133,894	1,572,361	1,399,920	1,296,878	1,364,778	1,269,049	1,032,398	808,270
Non Current Liabilities (Rs.' 000)	(1,198,407)	(1,203,824)	(1,024,671)	(917,083)	(480,884)	(425,815)	(439,508)	(438,823)	(318,778)	(102,789)
Net Assets (Rs.' 000)	7,416,833	6,571,907	5,366,873	4,814,413	5,118,001	4,734,112	4,831,754	4,852,335	3,853,392	3,813,083

Real Estate Portfolio

Company and Location	Buildings (in Sq. Ft.)		No. of Buildings		Land in Acres Freehold Property		Net Book Value	
							Rs. '000	Rs. '000
	2025/26	2024/25	2025/26	2024/25	2025/26	2024/25	2025/26	2024/25
The Nuwara Eliya Hotels Co. PLC Nuwara Eliya	195,753	195,753	19	19	19.10	19.10	3,803,445	3,690,000
Fair View Hotel (Pvt) Ltd. Wellawatte	23,310	23,310	1	1	0.11	0.11	767,244	703,870
Total	219,063	219,063	20	20	19.21	19.21	4,570,689	4,393,870

Statement of Value Added

Year ended 31st March	2025/26 Rs.' 000	%	2024/25 Rs.' 000	%
Value Added				
Income earned by providing hotel services	2,450,197		2,355,664	
Cost of services	(415,222)		(453,303)	
Value added by hotel services	2,034,975		1,902,361	
Other operating, Finance & Investment Income	316,802		264,599	
Total Value Added	2,351,777	100	2,166,960	100
To Employees				
Salaries, wages & other benefits	544,964	23	428,203	20
Operating Cost				
For Operating Cost	403,474	17	436,216	20
To Government as taxes	436,831	19	398,002	18
To Expansion & Growth				
Retained Income	812,408	35	762,885	35
Depreciation	154,100	7	141,654	7
	966,508	41	904,539	42
	2,351,777	100	2,166,960	100
Value added per Revenue (Rs)	0.96		0.92	
Value added per Employment cost (Rs)	4.32		5.06	
Value added per Ordinary Share (Rs)	1,075.82		991.27	

Shareholders Information

DISRTIBUTIONS TO SHAREHOLDERS

	As at 31st March 2026				As at 31st March 2025			
No. of shares held	No. of shareholders	%	Shareholding	%	No. of shareholders	%	Shareholding	%
1 - 1,000	710	95.30	41,289	1.89	659	94.55	44,199	2.02
1,001 - 10,000	21	2.82	52,387	2.40	24	3.44	66,479	3.04
10,001 - 100,000	8	1.07	250,114	11.44	8	1.15	233,112	10.66
100,001 - 1,000,000	6	0.81	1,842,250	84.27	6	0.86	1,842,250	84.27
Over 1,000,000	0	-		-	-	-		-
	745	100	2,186,040	100	697	100	2,186,040	100

COMPOSITION OF SHAREHOLDERS

	As at 31st March 2026		As at 31st March 2025	
Category	Shareholding	%	Shareholding	%
Resident	2,145,087	98.13%	2,144,691	98.11%
Non-Resident	40,953	1.87%	41,349	1.89%
Total	2,186,040	100%	2,186,040	100%
Individuals	838,396	38.4%	867,475	39.7%
Corporate	1,347,644	61.6%	1,318,565	60.3%
Total	2,186,040	100.0%	2,186,040	100%

PUBLIC HOLDING

	31-Mar-26	%	31-Mar-25	%
No. of Ordinary shares held	235,316	10.76%	235,316	10.76%

SHARE INFORMATION

	2025/26	Period	2024/25	Period
Highest Price (Rs.)	6,750.00	Q/E March 2026	2,399.00	Q/E December 2024
Lowest Price (Rs.)	2,052.00	Q/E June 2025	1,650.00	Q/E June 2024
As at period end (Rs.)	4,499.25	31-Mar-26	2,185.75	31-Mar-25

TRADING STATISTICS

	2025/26	2024/25
No. Transactions	2,863	1,205
No. of shares traded	101,100	29,529
Share Turnover (Rs.)	294,773,077	58,660,447
Market Capitalisation (Rs.)	9,835,540,470	4,778,136,924
Float adjusted market capitalization (Rs.)	1,058,304,154	514,127,533

THE COMPANY COMPLIES WITH THE MINIMUM PUBLIC HOLDING REQUIREMENT UNDER OPTION 1 “DIRI SAVI BOARD”.

Ratios (company)	2025/26	2024/25
Earnings per Share (Rs.)	348.44	333.25
Price Earnings Ratio (Times)	12.91	6.56
Net Assets per share as at 31st March (Rs.)	3,178	2,815
Dividend per share (Rs.)	-	-
Dividend yield (%)	-	-

DIRECTORS’ SHAREHOLDING

	As at 31st March 2026		As at 31st March 2025	
	Shareholding	%	Shareholding	%
Mr. J H P Ratnayeke	327	0.0%	327	0.0%
Mr. G G Ondaatjie	238,088	10.9%	238,088	10.9%
Ms. A M Ondaatjie	219,737	10.1%	219,737	10.1%
Mr. T J Ondaatjie	219,737	10.1%	219,737	10.1%
Mr. M K K K B Galagoda	-	0.0%	-	-
Mr. S K Abeysundara	-	0.0%	-	-
Mr. G H R Fernando	-	0.0%	-	-
Mr. S M S S Bandara	-	0.0%		
Ms. H M S Herath	-	0.0%		
Mr. A M Iddamalgoda	-	0.0%		
	677,889	31.0%	677,889	31.0%

TWENTY LARGEST SHAREHOLDING

	As at 31st March 2026	
	Shareholding	%
Mercantile Investments and Finance PLC	571,068	26.1%
Nilaveli Beach Hotels (Pvt) Ltd	443,390	20.3%
G G Ondaatjie	238,088	10.9%
A M Ondaatjie	219,737	10.1%
T J Ondaatjie	219,737	10.1%
Tangerine Tours (Pvt) Ltd	150,230	6.9%
Security Ceylon (Pvt) Ltd	66,372	3.0%
Mercantile Fortunes (Pvt) Ltd	40,816	1.9%
J B Cocoshell (Pvt) Ltd	38,977	1.8%
The Ceylon Investors (Pvt) Ltd	27,850	1.3%
D Grimshaw	27,797	1.3%
C G Senanayake	24,789	1.1%
G A G Punchihewa	12,860	0.6%
D P Navaratnam	10,653	0.5%
M P D Cooray	8,642	0.4%
A D Dadabhoy	5,646	0.3%
Sampath Bank PLC/ Mr. A Sithampalam	4,254	0.2%
N H V Perera	3,341	0.2%
U I Suriyabandara	3,094	0.1%
E G Negris (Deceased)	2,823	0.1%

Glossary of Financial Terms

ACCOUNTING POLICIES

The specific principles, bases, conventions, rules and practices adopted by an entity in preparing and presenting Financial Statements.

ACCRUAL BASIS

Recording Revenues and Expenses in the period in which they are earned or incurred regardless of whether cash is received or disbursed in that period.

AMORTISATION

The systematic allocation of the depreciable amount of an asset over its useful life.

CAPITAL EMPLOYED

Shareholders' Funds plus non-current liabilities

CONTINGENT LIABILITIES

A condition or situation existing at the Balance Sheet date due to past events, where the financial effect is not recognized because:

a) the obligation is crystalized by the occurrence or non-occurrence of one or more future events or,

b) a probable outflow of economic resources is not expected or,

c) it is unable to be measured with sufficient reliability.

CURRENT RATIO

Current Assets divided by Current Liabilities.

CAPITAL RESERVES

Reserves that are not available for distribution, which is identified for specific purposes.

CAPITAL EXPENDITURE

The total additions to Property, Plant and Equipment.

CASH EQUIVALENTS

High liquid investments that are readily convertible to cash, which has an insignificant risk of change in value.

CORPORATE GOVERNANCE

Corporate Governance is the system by which the Company is directed and managed, and it influences the manner in which the objectives of the Company are formulated, communicated, accepted and achieved.

DEBT/EQUITY RATIO

Non-current interest-bearing borrowings and preference share capital divided by the total shareholders' interest less preference share capital.

DIVIDEND PAYOUT RATIO

Ordinary dividend per share divided by earnings per share.

DIVIDEND YIELD RATIO

Ordinary dividend per share divided by market value per share

EARNINGS PER SHARE (EPS)

Profit attributable to Equity holders of the company divided by the weighted average number of ordinary shares in issue during the period.

EPS GROWTH

Percentage of the increase in the EPS, over the previous year.

EQUITY

Total shareholders' funds.

FAIR VALUE

The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

FAIR VALUE THROUGH PROFIT OF LOSS

A financial asset/liability, acquired/ incurred principally for the purpose of selling or repurchasing it in the near term part, of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short –term profit taking, or a derivative. (except for a derivative that is a financial guarantee contract).

INTEREST COVER

Profit before Interest and Tax over Finance Expenses.

IMPAIRMENT

This occurs when the recoverable amount of an asset is less than its carrying amount.

MARKET VALUE PER SHARE

The price at which an Ordinary Share can be purchased in the stock market.

MARKET CAPITALISATION

Number of ordinary shares in issue multiplied by the market price per share.

NET ASSETS

Total Assets less total Liabilities.

NET ASSETS PER SHARE

Total Assets less total Liabilities divided by the number of Ordinary Shares in issue at the end of the period.

PRICE EARNINGS RATIO

Market price per share divided by Earnings per Share.

RELATED PARTIES

Parties where one party has the ability to control the other party or exercise significance influence over the other party in making financial or operational decisions, directly or indirectly.

RETURN ON EQUITY

Profit attributable to shareholders as a percentage of Average Shareholders' Funds.

SHAREHOLDERS' FUNDS

Total of issued and fully paid share capital, capital reserves and revenue reserves.

TOTAL DEBT

Long term loans plus short term loans and overdrafts.

TOTAL VALUE ADDED

The difference between net revenue (including other income) and expenses, cost of materials and services purchased from external source.

Notice of Meeting

NOTICE IS HEREBY GIVEN that the 134th Annual General Meeting of The Nuwara Eliya Hotels Company PLC will be held **as a virtual meeting** on 30th September 2026 at 11.00 a.m. assembled at 236, Galle Road, Colombo 3 to transact the following business.

1. To receive and adopt the Report of the Directors and the Statement of Accounts for the year ended 31st March 2026, with the Report of the Auditors thereon.
2. To elect Ms. A M Ondaatjie who retires in terms of Article 88(i) of the Articles of Association as a Director of the Company.
3. To elect Mr. M K K K B Galagoda who retires in terms of Article 88(i) of the Articles of Association as a Director of the Company.
4. To elect Mr. J H P Ratnayeke, in terms of Section 211 of the Companies Act No.07 of 2007.The Company has received special notice of intention to pass the following resolution as an ordinary resolution.

   Resolved that the age limit of 70 years referred to in Sections 210 of the Companies Act No.07 of 2007 shall not be applicable to Mr. James Henry Paul Ratnayeke who is 76 years of age and whose appointment as a Director of the Company be and is hereby approved and who is elected a Director of the Company
5. To re-appoint Messrs. Ernst & Young who are deemed to be re-appointed as Auditors of the Company in terms of Section 158 of the Companies Act No.7 of 2007 and to authorize the Directors to determine their remuneration.
6. To authorize the Directors to determine payments for charitable and other purposes for year 2026/27.

By Order of the Board,
For The Nuwara Eliya Hotels Company PLC
Mercantile Investments and Finance PLC
Secretaries

Colombo
17 August 2026

Notes: Any member entitled to attend and vote at the meeting is entitled to appoint a proxy (whether member or not) to attend and vote instead of him. A form of proxy is endosed with the report for this purpose and sharholders who are unable to attend the meeting in person are requested to kindly complete and return such form of proxy in due time,in accordance with the instructions noted on the form of proxy.

For information on how to participate by virtual means in the above meeting please refer the supplementary notice to shareholders.

Supplimentary Notice to Shareholders

Instructions for Registration and Participation at the Virtual Annual General Meeting

THE NUWARA ELIYA HOTELS COMPANY PLC
134TH ANNUAL GENERAL MEETING

Dear Shareholder,

The Board of Directors of the Company, having taken into consideration the guidelines issued by Colombo Stock Exchange ("CSE") on holding virtual shareholder meetings through audio/visual means, have decided to hold the Annual General Meeting ("AGM") of the Company as a virtual meeting through audio/visual means using an online platform on 30th September 2026 as per the Notice of Meeting of the AGM.

Please note the following procedure to be adopted in terms of same.

1. Notice of Meeting, Form of Proxy and Form of Registration are enclosed herewith.
2. The AGM will be held in compliance with the principals set out in the Guidelines issued by CSE for hosting of virtual Annual General Meeting.
3. **Only the key officials who are essential for the administration of the formalities of the meeting will be physically present at the venue.** All registered shareholders/proxy holders are requested to participate via online meeting platform.
4. Shareholders who wish to participate in AGM through audio visual means should forward the duly perfected Registration Form (Annexure 1) to Mercantile Investments and Finance PLC, Secretaries, 236, Galle Road, Colombo 3 or by email to mercantile@mi.com.lk at least 48 hours before the time fixed for the meeting.
5. Adequate arrangements will be made for Shareholders who wish to participate in the AGM via the online meeting platform with log in information being forwarded to shareholders in advance of the meeting upon verification of registration details. Only Shareholders or their duly appointed proxyholders are requested to log in to the virtual meeting platform. It is recommended that Shareholders/Proxy Holders join the AGM at least 15 minutes before the start of the AGM. The digital Platform will be active 30 minutes before the start of the AGM. The Company will not be responsible or liable for misuse and/or unauthorized use of the login information.
6. Shareholders will be given the opportunity to raise any questions or comments on the matters listed on the Agenda for the meeting or forward the questions in advance to the email mercantile@mi.com.lk
7. Voting on items listed on the Agenda will be registered using an online platform. Shareholders/Proxyholders will be briefed on the procedure for voting prior to the commencement of the AGM.

In the event the Company is required to take any further action in relation to the Meeting and/or other communications, guidelines, directives or orders issued by the Government of Sri Lanka, Notice of such action shall be given by way of an announcement to the Colombo Stock Exchange and/or publication on the Company website www.thegrandhotelnuwaraeliya.com

The Board wishes to thank the Shareholders of the Company for their corporation and support to ensure a smooth and uninterrupted process at the Annual General Meeting of the Company and look forward to their virtual attendance.

BY ORDER OF THE BOARD
THE NUWARA ELIYA HOTELS COMPANY PLC
MERCANTILE INVESTMENTS AND FINANCE PLC
Secretaries

17 August 2026
Colombo

Form of Request

FOR A PRINTED COPY OF THE ANNUAL REPORT 2025/26 OF THE NUWARA ELIYA HOTELS CO. PLC

☐ I would like to receive the printed version of the Annual Report 2025/26 of The Nuwara Eliya Hotels Co. PLC

SHAREHOLDERS DETAILS	
Full name of Shareholder	
Shareholder's NIC/ Passport/ Company Registration No.	
Contact Number	
Signature	Date

Notes:

1) Please complete the Form of Request by filling in legibly the required information / Date and signing in the space provided.
2) In the event the shareholder is a company, the Form of Request should be signed under its Common Seal or by a duly authorized officer of the company in accordance with its Article of Association.
3) Please forward the completed Form of Request to the Secretaries in one of the following methods-

By post / Delivered by Hand – Secretaries
The Nuwara Eliya Hotels Co. PLC
236, Galle Road, Colombo – 03
By email – mercantile@mi.com.lk

Notes

Registration Form

ANNEXURE 1

THE NUWARA ELIYA HOTELS COMPANY PLC
134TH ANNUAL GENERAL MEETING

To: Mercantile Investments and Finance PLC
Secretaries
The Nuwara Eliya Hotels Company PLC
236, Galle Road,
Colombo 3

Full Name of Shareholder ....

Address of Shareholder ....

....

Shareholder's NIC No/Passport No/Co. Reg No ....

Membership No/ CDS Account No .... No. of Shares held ....

Shareholder's Contact Nos. Residence .... Mobile ....

Shareholder's e-mail address .... (Please type clearly, mandatory)

If Proxy is Appointed

Full Name of Proxy ....

Proxy Holder's NIC No/Passport No. ....

Telephone No. Residence .... Mobile ....

e-mail Address .... (Please type clearly, mandatory)

....	....	....
Shareholder's Signature/Date	1st Joint holder's Signature/date	2nd Joint holder's Signature/date

Notes: Instructions as to completion are noted on the reverse hereof.

Registration Form contd.

INSTRUCTIONS AS TO COMPLETION

1. Shareholders are advised to complete the form legibly in order to facilitate their participation through the online platform
2. The “Web Link” for participation at the AGM through the online platform will be forwarded to the Shareholder’s above noted email address.
3. In the case of a Company/Corporation, the registration form must be under its Common Seal, which should be affixed and attested in the manner prescribed by its Articles of Association.
4. If the registration form is signed by an Attorney, the relative Power of Attorney should also accompany the proxy form for registration, if such Power of Attorney has not already been registered with the Company.
5. The completed registration form should be deposited at the Secretaries office at No.236, Galle Road, Colombo 3 or emailed to mercantile@mi.com.lk 48 hours before the time appointed for the meeting

Form of Proxy

I/We..

of ....

being a member/members of THE NUWARA ELIYA HOTELS COMPANY PLC, do hereby appoint;

.... of .... or failing him/her

Mr. J H P Ratnayeke	or failing him
Mr. G G Ondaatjie	or failing him
Ms. A M Ondaatjie	or failing her
Mr. T J Ondaatjie	or failing him
Mr. S K Abeysundara	or failing him
Mr. M K K K B Galagoda	or failing him
Mr. G H R Fernando	or failing him
Mr. S M S S Bandara	or failing him
Ms. H M S Herath	or failing her
Mr. A M Iddamalgoda	of Colombo

as my/our proxy to represent me/us and to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on 30th September 2026 as a virtual meeting assembled at 236, Galle Road, Colombo 3 and at any adjournment thereof, and at every poll which may be taken in consequence thereof.

	FOR	AGAINST	WITHHOLD
1) To receive and adopt the Report of Directors and the Statement of Accounts for the year ended 31st March 2026, with the Report of the Auditors there on.			
2) To elect Ms A M Ondaatjie retiring in terms of Article 88(i) of the Articles of Association of the Company.			
3) To elect Mr. M K K K B Galagoda retiring in terms of Article 88(i) of the Articles of Association of the Company.			
4) To re-elect Mr. J H P Ratnayeke retiring in terms of Section 211 of the Companies Act No.07 of 2007			
5) To re-appoint Messrs. Ernst & Young, who are deemed to be re-appointed as Auditors of the Company in terms of Section 158 of the Companies Act No.7 of 2007 and to authorize Directors to determine their remuneration			
6) To authorize the Directors to determine payments for charitable and other purposes for the year 2026/27			

As witness my/our hand this ....day of 2026

....

Signature of Shareholder/s

Note: Please delete the inappropriate words.

(Instructions as to completion are noted on the reverse hereof)

Form of Proxy contd.

INSTRUCTIONS AS TO COMPLETION

1. Kindly perfect the form of proxy, after filling legibly your full name and address and by signing in the space provided and please fill in the date of signature.

2. Please indicate with an "X" in the boxes provided how your Proxy is to vote on each resolution. If no indication is given, the Proxy in his discretion will vote as he thinks fit.

3. If the proxy form is signed by an Attorney, the relative Power of Attorney should also accompany the proxy form for registration, if such Power of Attorney has not already been registered with the Company.

4. In the case of a Company/Corporation, the proxy must be under its Common Seal, which should be affixed and attested in the manner prescribed by its Articles of Association.

5. The completed form of proxy should be deposited at the Registered Office of the Company at No.236, Galle Road, Colombo 3, 48 hours before the time appointed for the meeting.

Corporate Information

NAME OF THE COMPANY
The Nuwara Eliya Hotels Company PLC

COMPANY REGISTRATION NO.
PQ 101

STATUS & LEGAL FORM
Public quoted company with limited liability Incorporated in Sri Lanka.

TAX PAYER IDENTIFICATION NUMBER
204000492

VAT REGISTRATION NO.
204000492 7000

SECRETARIES
Mercantile Investments & Finance PLC

COMMUNICATION REGISTERED OFFICE
236, Galle Road, Colombo 03, Sri Lanka
P.O. Box 195, Colombo Tel: 2343720-7
Fax: :2434524, 2448279
E-mail: tangerine@mi.com.lk
Website: www.thegrandhotelnuwaraeliya.com

HOTEL
Grand Hotel Road, Nuwara Eliya.
Tel: 052-2222881-7
Fax: 052-2222264/5
E-mail: admin@grandhotel.lk Website: www.thegrandhotelnuwaraeliya.com

BANKERS
- Hatton National Bank
- Commercial Bank of Ceylon PLC
- Nations Trust Bank
- Sampath Bank
- Bank of Ceylon

CHAIRMAN
- J.H.P. Ratnayeke - Chairman
- Gerard G. Ondaatjie - Deputy

BOARD OF DIRECTORS
- A.M. Ondaatjie
- T.J. Ondaatjie
- M.K.K.K.B. Galagoda
- S.K. Abeysundara
- G.H.R. Fernando
- S.M.S.S. Bandara
- H.M.S. Herath
- A.M. Iddamalgoda

CORPORATE MANAGEMENT
- Nazeem Mohamed – Resident Manager
- Kumara Karunarathna – Chief Financial Officer

AUDIT COMMITTEE
- Chairman – S.M.S. S Bandara
- M.K.K.K.B. Galagoda
- H.M.S. Herath

NOMINATION & GOVERNANCE COMMITTEE
- Chairman – S M S S Bandara
- A.M. Iddamalgoda
- T.J. Ondaatjie

RELATED PARTY TRANSACTION REVIEW COMMITTEE
- Chairman - S.M.S.S. Bandara
- H.M.S. Herath
- M.K.K.K.B. Galagoda

REMUNERATION COMMITTEE
- Chairman - S M S S Bandara
- A.M. Iddamalgoda
- A.M. Ondaatjie

INTERNAL AUDITORS
BDO Partners Chartered Accountants

EXTERNAL AUDITORS
Ernst & Young Chartered Accountants

MANAGEMENT TEAM
- Nazeem Mohamed - Resident Manager
- Kumara Karunarathna - Chief Financial Officer
- D.N. Karunasena - Asst. Group Engineer
- W.M.A. Lowe - Executive Chef
- K.G.S.K. Udagama - QA/Accommodation
- M. Shenali Liyanage - L&D Manageress
- Deva De Silva - Chief Engineer
- Janaka Bandaranayake - FO & Bus. Deve. Manager
- K.A.D.D.R. Kumara - F&B Manager
- P.G.G.D.N.K. Wijewardhana Executive Secretary
- L.T.S. Liyanage - Accounts Executive
- Kasun Bandara - Accounts Executive
- Y. Sajeepan - Management Accountant
- Champika Pathmalal - Accountant
- R.Muralidaran - Accountant
- H.M.R.B. Herath - Stores Executive
- M.H. Shakir - Asst. F&B Manager
- L.C.S. Lamahewa - Restaurant Manager
- T. Selvapushparaj - F&B Executive
- N.M. Chaminda - F&B Executive
- P.B.S.S.D. Dissanayaka - Snr. Restaurant Manager
- Anura De Silva - Asst. Executive Housekeeper
- K.M.D. Dhammika - Front Desk cum Revenue Manager
- Pasindu Bandara - Accounts Executive
- P.T. Prakashan - Head Butler
- M.A.M. Dawood - Indian Specialty Chef
- Viraj Jayarathna - Senior Ex. Pastry Chef
- L.G.C.K. Udayasiri - Senior Sous Chef
- Rajpal Sign Rawat - Sous Chef
- H.P. Sanjeewa - Sous Chef
- A.C. Aththanayaka - Chef De Cuisine
- H.P.S. Dharmasena - Sous Chef
- Roy Pradeep Kumar - Maintenance Executive
- A.G.R.M.S.D. Ranasinghe - Credit Executive
- S. Anbalagan - Garden Manager
- R.W.H.M.S.B. Ranaviraja - Bar Manager/ Mixologist
- R.A.C.L. Perera - IT Manager
- N.M.K.N. Pathirathna - AFOM
- P.H.V.N. Ekanayake - Susta. And Comp. Executive
- S.M.J. Samarakoon - Chief Steward
- D.S.B. Abhayakeerthi - IT Executive
- K. Pushparaja - Restaurant Manager
- K.K. Kumara - Cashier
- D.P.N.S. Embuldeniya - Collection Executive
- W.H. Perera - Purchasing Executive
- H.M.T.D. Wijekoon - Junior Sous Chef
- J.C. Rasiah - Purchasing Executive
- K.I. Nishantha - Restaurant Manager
- D. Dominic - Entertainment Executive
- L.A.A.H. S De Silva - Guest Relation Executive

Concept & Designed by
Copyline a great equation

GRAND HOTEL
E S T A B L I S H E D 1 8 9 1

www.thegrandhotelnuwaraeliya.com