PEGASUS HOTELS OF CEYLON PLC

A Carson Cumberbatch Company

PEGASUS REEF

the city resort that's just right !

Annual Report 2025/26

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CHAIRMAN'S STATEMENT

Our focus remains clear. We will continue to strengthen our competitive position through disciplined investment, prudent financial management, operational excellence, and an unwavering commitment to enhancing the guest experience.

Dear Shareholder,

On behalf of the Board of Directors, it is my honour and privilege to welcome you to the 60th Annual General Meeting of Pegasus Hotels of Ceylon PLC. It gives me great pleasure to present the Annual Report and Financial Statements of the Hotel for the financial year ended 31st March 2026.

The year under review reaffirmed that lasting institutions are shaped not merely by the conditions they encounter, but by the clarity of purpose with which they respond. In an environment characterised by change, uncertainty, and rising expectations, we remained focused on strengthening the long-term foundations of the Hotel. This was achieved through purposeful investment in our property, our people, and the guest experience we aspire to deliver.

Across the world, tourism continued its recovery, reaffirming its resilience as a vital global industry. International travel gathered momentum during 2025, supported by improved connectivity and renewed demand from key source markets. Alongside this recovery, the nature of demand continued to evolve. Travellers increasingly sought not only value, but meaningful experiences distinguished by authenticity, quality, and distinctiveness. For destinations able to offer cultural richness, diversity, and warmth of hospitality, this presented a meaningful opportunity.

In Sri Lanka, the year was one of cautious but notable progress. The gradual restoration of macroeconomic stability, improved foreign currency inflows, a relatively stable exchange rate, and more accommodative monetary conditions helped rebuild a measure of confidence in the economy. Having experienced deflation earlier in the year, the economy returned to inflationary conditions during the latter part of the year, while the broader reform process continued to shape the national outlook.

Whilst these developments are encouraging, recovery remains an ongoing process and sustaining reform momentum will be critical. Consistent policy implementation, fiscal discipline, and continued engagement with stakeholders will be essential to strengthening investor confidence and sustaining the country's economic recovery.

Within the hospitality industry, the operating landscape continued to evolve. The emergence of new accommodation formats, changing guest expectations, and intensifying competition are reshaping traditional market boundaries. While visitor arrivals continued to recover, the industry's challenge has increasingly shifted from attracting travellers to capturing a greater share of their spending, as consumers become more discerning and value-conscious in their purchasing decisions. On the other hand, the rapid growth of alternative accommodation offerings and increasing capacity within Colombo have heightened competition for both guests and events. In this environment, competitive advantage can no longer be sustained through price alone. It must be earned through consistency in service excellence, the relevance and differentiation of product offering, and the ability to curate distinctive experiences that leave a lasting impression. Ultimately, hospitality remains a people-centric business, where enduring value is created through genuine connections and memorable experiences that resonate with guests long after their stay.

Against this backdrop, and in line with the direction signalled in my statement last year, we undertook a series of investments to strengthen the Hotel's product offering and guest experience. These initiatives are not isolated improvements but form a part of a more deliberate and forward-looking strategy to reposition the Hotel from a transit-oriented property into a city beach resort, one with a distinctive identity that seamlessly blends the energy and accessibility of Colombo with the restorative appeal of a leisure destination.

In an era when travellers increasingly seek experiences that are authentic, immersive, and memorable, relevance must be consciously created rather than assumed. Our investments are therefore guided by the belief that hospitality assets must continually renew themselves in response to evolving guest expectations, while preserving the character, warmth, and service ethos that give them their enduring soul. It is through this fusion of renewal and identity that lasting value is created.

Amidst this period of transition and reinvestment, the Hotel recorded an occupancy of 61% and a revenue of Rs. 985.9 Mn for the year ended 31st March 2026. The loss before tax for the year narrowed to Rs. 6.0 Mn from Rs. 43.3 Mn in the previous year, while cash profit for the year stood at Rs. 55.1Mn, marking tangible momentum on our journey towards sustained profitability and long-term value creation. These outcomes should be viewed in the context of a business carefully balancing current performance with the longer-term objective of renewal and repositioning.

As we look ahead, we do so with both confidence and humility. Confidence in the enduring appeal of Sri Lanka as a tourism destination and in the strategic direction of the Hotel; humility in recognising that the path forward will continue to be shaped by forces beyond our control. Geopolitical tensions, evolving travel patterns, climate-related disruptions, and shifting economic conditions will continue to influence the operating environment. Yet periods of uncertainty often create opportunities for those prepared to invest, adapt, and think beyond the immediate horizon.

Our focus remains clear. We will continue to strengthen our competitive position through disciplined investment, prudent financial management, operational excellence, and an unwavering commitment to enhancing the guest experience. In doing so, we seek not only to deliver sustainable value to our shareholders, but also to contribute meaningfully to the broader development of Sri Lanka's tourism industry.

I take this opportunity to warmly welcome our incoming director, Mr. Chinthaka Jayaweera whose diverse expertise and fresh perspectives will further enhance the Board as we navigate future opportunities and challenges.

In closing, I extend my sincere gratitude to my fellow Board members and the Board committees for their counsel and commitment. I also thank our guests, business partners, and shareholders for the trust and confidence they continue to place in the Hotel. My appreciation extends to our management team and employees, whose dedication and professionalism were vital in overcoming the year's challenges and delivering on our objectives. Together, I look forward to building on our progress and achieving continued success in the years ahead.

(Sgd.)
Chairman
M. Dayananda

Colombo
26th June 2026

MANAGEMENT DISCUSSION & ANALYSIS

By seamlessly combining sea, nature, recreation, and urban convenience, the Hotel offers guests a proposition that is increasingly rare in modern hospitality; a resort-style escape without leaving the city.

GLOBAL CONTEXT

Global tourism reached a post-pandemic peak in 2025, with international tourist arrivals rising to 1.52 Bn. Growth was supported by resilient demand from key source markets, the ongoing recovery of Asia-Pacific destinations, improved air connectivity, and effective visa facilitation. Notably, tourism receipts outpaced the growth in arrivals across many destinations, with international visitor spending reaching a record USD 2.0 Tn during the year. Traveller preferences also continued to evolve, with growing demand for more immersive, value-driven experiences, while technology played an increasingly important role in travel planning and personalization, and the overall customer journey.

LOCAL CONTEXT

Mirroring the global recovery in travel, Sri Lanka's tourism sector recorded its highest ever annual tourist arrivals of 2.36 Mn visitors, representing a 15.1% increase over the previous year. Total tourism earnings amounted to USD 3.2 Bn during the year. However, visitor spending patterns softened, with average daily spending declining from USD 181.15 in 2024 to USD 171.74 during the first half of 2025 and further to USD 148.26 during the second half. The average length of stay also eased slightly to 8.29 nights in 2025 from 8.42 nights in the previous year. On a regional basis, Europe remained the largest source, accounting for 48.8% of arrivals, led by the United Kingdom, Germany, and France, while Asia-Pacific contributed 44.0%, supported by strong arrivals from India, China, and Australia.

Sri Lanka's economy remained on a recovery trajectory in 2025, recording a real GDP growth of 5.0% supported by continued macroeconomic stabilisation, policy reforms, and improving domestic demand. Following a brief period of deflation at the beginning of the year, inflation resumed, reaching 2.1% by end 2025. Meanwhile, the Sri Lankan Rupee depreciated by 5.6% to Rs. 309.99 per USD and the external sector strengthened, with official reserves increasing to USD 6.8 Bn by year-end, while progress in fiscal consolidation and the completion of debt restructuring further reinforced overall economic stability.

OUR OPERATIONAL CONTEXT

Evolving travel patterns are reshaping demand across the hospitality sector. The rise in independent travel, improved domestic connectivity with expressways, ride-hailing services, use of AI for vacation planning, and increasingly streamlined airport-to-destination transfers have collectively reduced Colombo's role as an extended stopover for many international visitors. As a result, the relative importance of transit demand is gradually declining, with future growth increasingly anchored in experience-led and destination-oriented travel.

In response to these structural shifts and evolving guest preferences, the Hotel commenced a comprehensive refurbishment and repositioning programme during the year, to be implemented over a three to four -year horizon, subject to the availability of funding for capital expenditure. This strategic initiative reflects a deliberate shift from the traditional transit hotel model to a differentiated city beach resort offering. The objective is to enhance the guest experience, broaden the Hotel's leisure appeal and strengthen the competitiveness in an evolving hospitality landscape.

Translating the vision into action, Management utilized the off-peak season to advance several long-planned enhancements. Key initiatives undertaken during the year included the upgrading of 31 rooms, the refurbishment and repositioning of the main restaurant as 'Sand and Spice', and the launch of the new beach bar, 'Salt Theory'. The temporary withdrawal of room inventory during the refurbishment period had a limited impact on the Hotel's performance in the first quarter of the financial year.

Complementing the physical transformation of the property, the Hotel continued to curate distinctive experience-led offerings that bring its city beach resort vision to life. Highlights included a series of events at "Kurulu Kele", a nature-inspired retreat nestled within the property, as well as the introduction of beach sports and continued efforts to develop a broader portfolio of beachfront experiences.

By seamlessly combining sea, nature, recreation, and urban convenience, the Hotel offers guests a proposition that is increasingly rare in modern hospitality; a resort-style escape without leaving the city. While the full benefits of these investments will materialise over time, the early response from guests has been encouraging and reinforces our confidence in the strategic direction that we have taken. We believe these enhancements will strengthen the Hotel's competitive position, deepen guest engagement, and support sustainable growth in occupancy, revenue quality, and earnings, over the years ahead.

The operating environment continued to show recovery in both domestic and international demand during the year. Although foreign segment activity moderated slightly towards the end of the year following disruptions to regional air travel arising from the conflict in the Middle East, overall demand remained encouraging. Notwithstanding these positive demand trends, pricing power remained a key challenge across the hospitality sector. Hotels faced intensifying competition not only from traditional market participants, but also from emerging hospitality concepts and informal accommodation providers operating with lower overhead structures and, in certain cases, outside the formal tax and regulatory framework, thereby benefiting from greater pricing flexibility. Competition from Colombo-based hotels also increased during the year.

Similarly, the growing presence of purpose-built banquet venues has altered the competitive landscape of the events segment, broadening consumer choice. The ability of formal market participants to compete on price remained constrained by the uneven cost structures relative to informal operators, who, as aforementioned, are not subject to the same cost burden as formal market participants. At the same time, declining consumer affordability led to more measured event spending and a preference for smaller-scale functions. Against this backdrop, the Hotel's MICE (Meetings, Incentives, Conferences, and Exhibitions) segment experienced a subdued start to the year before gaining momentum in the latter months, supported by targeted marketing initiatives and focused efforts to strengthen its market presence. The wedding segment experienced lower average attendance per event, reflecting the broader shift toward more intimate celebrations, moderating overall segment performance.

To strengthen our customer offerings and respond to growing competition from newer event venues, we have earmarked the refurbishment of the banquet hall as the next phase of our repositioning programme. These planned upgrades are intended to elevate the experience for both wedding and corporate guests while ensuring that our event facilities remain relevant to evolving customer expectations. These enhancements form a part of the Hotel's broader repositioning as an integrated city beach resort.

Beyond its business operations, the Hotel remains committed to creating a positive impact on the communities and environments in which it operates. During the year, the Hotel supported a range of social and educational initiatives, including youth development programmes, assistance to healthcare institutions, educational support for employees' families, and outreach to vulnerable communities. The Hotel also continued its environmental stewardship efforts through beach clean-up campaigns, tree-planting initiatives, and other activities aimed at preserving the natural environment and promoting sustainable practices.

FINANCIAL PERFORMANCE

Despite operating with a reduced room inventory during the early part of the year due to ongoing refurbishment works, the Hotel recorded a modest increase in revenue recording Rs. 985.9 Mn for the year. Performance was supported by a 7% increase in Average Room Rates (ARR) through disciplined revenue management, while occupancy remained resilient at 61%.

It is important to note that underlying economics of the business have evolved in recent years. Material cost inflation across key categories has outpaced the industry's ability to raise room rates within a highly competitive marketplace. As a result, occupancy levels that were once sufficient to generate attractive returns no longer deliver the same level of profitability.

Overall, direct costs remained stable at Rs. 647.2 Mn, broadly in line with the previous year. Cost increases were largely offset by lower electricity expenses following tariff reductions, together with the Hotel's continued focus on cost optimisation initiatives. This enabled the Hotel to maintain a stable cost base while preserving service standards. Concurrently, the Hotel continued to invest in the long-term enhancement of the property, including improvements to health and safety infrastructure,

reinforcing the Hotel's commitment to maintaining the highest standards of safety, compliance, and operational excellence. Total capital expenditure incurred during the year amounted to Rs. 170.0 Mn of which, Rs. 122.0 Mn was invested on the ongoing refurbishment and repositioning programme. In line with a prudent approach to financial reporting, certain costs relating to these initiatives were recognised through the Statement of Profit or Loss during the year.

Administrative expenses increased by Rs. 42.8 Mn during the year, driven primarily by higher payroll and related costs as the Hotel continued to invest in employee motivation, retention, and service quality. Attracting and retaining skilled talent remains one of the most significant challenges faced by Sri Lanka's hospitality industry. In this context, Management views competitive remuneration and staff welfare as essential to sustaining service standards and supporting long-term operational excellence.

Against this backdrop, the Hotel demonstrated resilience during a challenging operating environment, limiting the operating loss to Rs. 18.0 Mn while generating a cash profit of Rs. 55.1 Mn for the year.

Interest income increased by Rs. 12.2 Mn, supported by higher investments during the year and the prudent management of surplus funds. In addition, exchange gains improved by Rs. 8.9 Mn compared to the previous year, contributing positively to finance income. Meanwhile, finance costs declined due to the lower interest rate environment and the continued repayment of borrowings, which reduced the Hotel's overall debt exposure.

The Hotel's cash position during the year was influenced by the funding requirements of the ongoing refurbishment programme, operating expenditure, and debt servicing obligations. Nevertheless, liquidity remained strong, enabling the Hotel to meet the funding commitments while maintaining financial flexibility. As of 31st March 2026, the Hotel reported a net cash position of Rs. 128.5 Mn.

FUTURE OUTLOOK

While the medium- to long-term outlook for Sri Lanka's tourism industry remains encouraging, the near-term operating environment is likely to be characterised by a degree of uncertainty. Geopolitical tensions, inflationary pressures across key markets, and the risk of higher energy and financing costs continue to present challenges for businesses and may weigh on consumer spending. In addition, weather-related disruptions linked to climatic conditions such as El Niño could create additional volatility. Against this backdrop, operating cost pressures are expected to persist, while intensifying competition may moderate the scope for pricing power, potentially moderating revenue growth in the near term. These dynamics underscore the importance of prudent planning, disciplined execution, and continued investment in areas that enhance long-term competitiveness.

As we look to the future, we do so with measured confidence, supported by a clear strategic direction, a strengthened product offering, and a commitment to long-term value creation.

Carsons Management Services (Pvt) Limited
26th June 2026

DIRECTORS PROFILES

MAHENDRA DAYANANDA (CHAIRMAN)
(Non-Executive Director)

Mahendra Dayananda is a Non-Executive Director of Bukit Darah PLC and Pegasus Hotels of Ceylon PLC and was also an Independent Non-Executive Director of Nestle Lanka PLC and resigned from the company with effect from 1st February 2024. He was a Non-Executive Director of Delmege Ltd and Chairman of Lewis Brown & Company Ltd. An expert on the Tea Industry and economic issues, he was until recently the Chairman of the Sri Lanka Business Development Centre and former Chairman of the Colombo Tea Traders Association.

He was until recently the President of the Sri Lanka Japan Business Council, former President of the Sri Lanka Institute of Directors and past Chairman of the Ceylon Chamber of Commerce and also chaired the Monetary Policy Consultative Committee - Central Bank of Sri Lanka for a period of 09 years.

He was also the former Chairman of Indo Asia Teas (Private) Limited and continues to chair Total Tea Concepts (Private) Limited.

He was the Honorary Consul for the Republic of Benin in Sri Lanka until October 2019.

He was a Founder Managing Director and subsequently the Chairman of Tea Tang (Private) Limited.

KRISHNA SELVANATHAN
(Non-Executive Director)

Krishna Selvanathan serves as a Director of Carsons Management Services (Private) Limited and is the CEO of Guardian Fund Management Limited. He also serves as a Director of Lion Brewery (Ceylon) PLC, Pegasus Hotels of Ceylon PLC, Ceylon Guardian Investment Trust PLC, Ceylon Investment PLC and Rubber Investment Trust Limited.

He holds a BA Degree in Accounting & Finance and Business Administration from the University of Kent, UK.

MICHAEL ELIAS
(Independent Non-Executive Director)

Michael Elias is an international consultant in Tourism & Hospitality Management with over 40 years of experience in every segment of the Tourism industry.

He was a Vice President of John Keells Holdings PLC and Executive Director/Chief Executive Officer of six Leisure Sector companies of the John Keells Group, including Sri Lanka's only previously SEC listed Destination Management Company, Walkers Tours Ltd. The multi award winning company Nature Odyssey (Pvt) Ltd was conceptualized and created by him.

He is a Past President of the Sri Lanka – Germany Business Council of the Ceylon Chamber of Commerce, a Past President of SLAPCEO (Sri Lanka Association of Professional Conference and Exhibition Organizers) a former Board Member of SLAITO (Sri Lanka Association of Inbound Tour Operators) a former Committee Member of the PATA Sri Lanka Chapter (Pacific Asia Travel Association), an Executive Council Member of the Benelux Business Council of the Ceylon Chamber of Commerce and headed non-trade associations related to Education and Social Service.

Michael Elias is a Graduate of the University of Western Sydney and holds a Masters Degree in Business Administration from the Sydney Graduate School of Management. He has a Diploma in Strategic Management from the Wharton School, University of Pennsylvania, has the Certificate in Marketing of the Chartered Institute of Marketing (UK) and is a Certified Event Manager of IAPCO (International Association of Professional Conference Organizers).

SIVANANDAN MARIMUTHU
(Independent Non-Executive Director)

Siva Marimuthu is a Director of Equity One Limited, Equity Two PLC, Pegasus Hotels of Ceylon PLC, Industrial Asphalts PLC, Knightsbridge E- commerce (Pvt) Ltd. and Silverfalls (Pvt) Limited.

Siva is a career banker with over 25 years of experience having served international banks in senior leadership capacities. He holds a Masters in Business Administration from the University of Wollongong, Australia, a Bachelor of Commerce from Loyola College, India and is also a CIMA Passed Finalist.

Siva's experience in the banking sector is extensive, being a part of the country management team for Standard Chartered Bank Sri Lanka. He has contributed across all key functions such as Retail Banking, Banking Operations, Operational Risk Management, Compliance and Assurance, Project Implementations and Administration and Audit. He also has

DIRECTORS PROFILES

headed the Country Audit and Operational Risk Function for Standard Chartered Bank, Sri Lanka.

Siva played a key role in ensuring bank's risk and compliance processes are in order, having implemented the operational risk framework, customer due diligence, anti-money laundering processes, design of risk assessment tools and core bank system implementations at Standard Chartered Bank.

RANIL GOONETILLEKE

(Non-Executive Director)

Ranil Goonetilleke (FCMA), is a fellow member of the Chartered Institute of Management Accountants UK (CIMA). He began his career at KPMG Sri Lanka, and thereafter joined Haycarb PLC to its Finance Division and progressed to be its Divisional Manager – Finance. Subsequent to his employment at Haycarb, in 1998, he joined Ceylon Brewery PLC as its Financial Controller and in April 2004 was appointed Director Finance Lion Brewery (Ceylon) PLC which post he held until his retirement in December 2023.

Currently he is a Non-Executive Director of Lion Brewery Ceylon PLC, Pegasus Hotels of Ceylon PLC, Ceylon Beverage Holdings PLC and Carsons Management Services (Private) Limited, whilst he serves as an Independent Non-Executive Director of Namunukula Plantations PLC, Ceylinco Holdings PLC and the National Savings Bank. He also serves in their various governance committees including audit, risk and related party.

He is a Board Member of the National Council for Child and Youth Welfare, a charity organization providing shelter and care to destitute children through their 6 care centers located islandwide. He is the immediate past Chairman of the Exporters Association of Sri Lanka of the Ceylon Chamber of Commerce.

He has undergone executive training both locally and overseas in varied general management topics including Strategic Cost Management at INSEAD France and Formulating & Actioning Strategy, at the Wharton University, Philadelphia.

SAKTHA AMARATUNGA

(Independent Non-Executive Director)

Saktha Amaratunga is an Independent Non-Executive Director of Bukit Darah PLC, Carson Cumberbatch PLC and in several companies of the Carson Cumberbatch Group, Chairman - Audit Committees of the Carson Cumberbatch Group and is also a Commissioner of PT Agro Indomas Indonesia, a subsidiary of the Carson Cumberbatch Group. He is also an Audit Committee Member of MAS Holdings Ltd.

Previously, Regional Audit Controller (Asia Pacific) for British American Tobacco, he has more than 20 years' experience with British American Tobacco, having performed senior finance roles for the Group in Sri Lanka and the United Kingdom and also being the Finance Director of British American Tobacco Operations in the Czech Republic, Sri Lanka, Switzerland, Japan and Malaysia (IT Shared Services Organization). He was also an Independent Non-Executive Director and Chair of the Audit Committee at Hemas Holdings.

He has many years of experience in Strategy Development, Business Restructuring, Risk and Governance, International Finance and People Development. He is a Fellow Member of the Chartered Accountants of Sri Lanka, Associate Member of the Chartered Institute of Management Accountants, UK and also a Member of CPA Australia.

VIBATH WIJESINGHE

(Executive Director)

Vibath Wijesinghe is the Director - Finance of Carsons Management Services (Private) Limited, the management support service provider to the Carson Cumberbatch Group on Sri Lankan business operations.

Vibath began his career at M/s. KPMG, Sri Lanka and has over 20 years of experience in the fields of finance, corporate finance and auditing and has spearheaded assignments on business restructuring, business acquisition and investment transactions. He joined the Carson Cumberbatch Group in 2004.

He is an Associate Member of the Institute of Chartered Accountants of Sri Lanka, Chartered Institute of Management Accountants (UK) and of the Society of Certified Management Accountants of Sri Lanka. He also holds a Masters Degree in Business Administration from the Postgraduate Institute of Management - University of Sri Jayewardenepura, Sri Lanka.

CHINTHAKA JAYAWEERA

(Independent Non-Executive Director)
(Appointed w.e.f. 10th February 2026)

Chinthaka Jayaweera was Vice President and Chief Internal Audit Executive at A.P. Moller Maersk Group with the overall responsibility for providing independent assurance on Governance, Risk Management, Internal Controls and Compliance. Prior to this role, he was a member of the Global Finance Leadership Team of Maersk Line with the responsibility for Global Finance Operations. His career at Maersk spans over 28 years with various global leadership positions. He was based at the Head Office in Denmark for over 21 years. Prior to moving to Denmark, he was the Country Manager for Maersk Logistics – Sri Lanka & Maldives. He started his career at KPMG and was subsequently at Vanik Incorporation before joining Maersk. He had held Independent Non-Executive roles in Family Trusts for High Net-worth families. He holds a Global Executive MBA from TRIUM (comprising of London School of Economics and Political Science, New York University Stern School of Business and HEC School of Management, Paris). He has also attended Leadership Programs at Harvard Business School and INSEAD. He is a Fellow member of the Chartered Institute of Management Accountants, UK and a Member of The Chartered Institute of Marketing, UK.

RISK MANAGEMENT

Risk management is a fundamental aspect of our business operations. While risks are inherent in any enterprise, we have established an effective system of internal controls and risk management practices to identify and mitigate these risks and to ensure smooth operations of the entity.

Our group-wide risk management framework provides reasonable assurance that potential events or circumstances are identified, measured, and addressed proactively. This process allows us to minimize the effect of risks that could impact our ability to deliver value to our stakeholders.

The risk management mechanism is integrated into our decision-making processes. It plays a proactive role in identifying and assessing key risks associated with our business activities. Identified risks are then managed and mitigated until they are within our defined risk appetite. This approach enables us to explore opportunities to create shareholder value, while also addressing potential threats in a timely and appropriate manner.

Through continuous monitoring and re-assessment, we ensure that our risk management practices remain effective and responsive to the evolving business environment.

In the implementation of business plans, the Company incorporates the enterprise risk management process to its business activities. This risk management process supports the following;

- Corporate governance
- Quality of business planning
- Audit planning
- Project planning and implementation

Risk management process revalidates the internal control systems and provides assurance to the management and the Board of Directors on the effectiveness of the established processes.

ENTERPRISE RISK MANAGEMENT PROCESS



Our risk management framework is supported by a robust governance structure that enables effective oversight and reporting. This allows our Board to fulfil its oversight role and strengthen our corporate governance practices.

We believe Risk Management is a key element in sustaining our operation and have identified the following risk profiles that could impact the hotel. The principal risks thus identified are considered and continuously reviewed at various stages of our business processes.

Risk	Description	Risk Responses and Strategies
Competition	Inability to achieve target turnover.	The company manages this risk by means of the following actions and procedures. • Monitoring market trends, pricing and other competitive activities. • Maintaining and building relationships with tour operators. • Participating in relevant trade and business promotions, locally and internationally. • Maintaining value and standard of the hotel through regular refurbishments and training and development of employees. • Developing and monitoring comprehensive business plans. • Diversification of revenue base. • Establishing a unique market positioning for the hotel.
Food Safety Risk	Damage to the hotel's reputation and potential legal consequences due to health issues caused to Guests.	Management has taken steps to closely monitor this risk. Some of the key controls are listed below. • Routine food, health, safety, and kitchen audits by independent third-party experts. • Making available samples of all food items of each batch for inspection. • Regular temperature control monitoring of the refrigerators/ cool rooms. • Routine training & awareness among procurement, stores, kitchen and F&B staff. • ISO audits to ensure the compliance with food hygiene protocols. • Insure against public liability risks.
Credit Risk and Liquidity Risk	Financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. These arise principally from the Company's receivables from customers and placements with banking institutions and in government securities.	The following controls are implemented to overcome these risks. • Continuous and regular evaluation of creditworthiness of tour operators and other customers. • Continuous monitoring and follow up of receivable balances. • Placement of deposits only with reputed institutions which are rated by Fitch. • The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or damages to the Company's reputation.
Foreign Exchange Risk	Risk of volatility in foreign exchange rates. A fluctuation in the exchange rates will have an impact on the amounts realised in LKR and a corresponding impact on costs.	• The company accepts payments from guests in foreign currencies, mainly USD, EUR, and GBP, and holds cash and cash equivalents and Fixed deposits denominated in them. (Please refer to Note 30.1.1). • Use the foreign currency deposits as a hedge against cost increases.

RISK MANAGEMENT

Risk	Description	Risk Responses and Strategies
Talent acquisition and retention	Inability to achieve company's objectives due to talent related issues.	The company has implemented the following initiatives. • Ensure recruitments are carried out to hire employees with the required qualifications, knowledge and experience. • HR policies are focused on encouraging continuous training and development and ensuring appropriate compensation as per market rates to retain and develop employees. • Source talent from the local community by introducing free training opportunities thus developing retention through loyalty.
Global and Local political unrest	Decline in arrivals due to recent geopolitical events coupled with slow economic growth in key markets. Impact on spending powers of the local customers due to Sri Lanka's economic issues.	• Diversify target markets to reduce dependency on few key markets. • Focus on corporate and long stay guests during uncertain times.
Information Systems and Process Risks	Direct or indirect losses due to inadequate or failed internal processes and systems.	• The management together with the Carsons finance and IT divisions proactively identifies areas of high risks and establishes appropriate systems and processes to mitigate these risks. • Conducting regular review of cyber risks and taking measures to strengthen Cybersecurity. • Group Internal Audit performing reviews on internal control systems and processes.
Governance & Regulatory Compliance Risk	Failure to comply with the regulatory and legal framework applicable to the Company resulting in reputational damage, penalties, or business interruption.	The management together with the Carsons group legal division proactively identifies and establish appropriate systems and processes to ensure compliance with legal and regulatory requirements. • Training and developing employees on compliance and on new / revised laws and regulations. • Obtaining views and interpretations from external legal consultants on areas that require clarity on new and existing laws. • Reviewing laws and regulations regularly to ensure they are up to date and relevant.
Natural Disasters & Fire Risk	Natural disasters and fire risk pose a significant financial risk, impacting both the property and potentially interrupting income streams.	• Regular inspection and training by third parties on fire risk and implementation of action plans where relevant • Obtaining fire and business interruption insurance policies. • Risks of losses arising from unforeseen events such as natural disasters are covered by obtaining appropriate and comprehensive insurance covers. • Establishing Business Continuity Plans where relevant.

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

The Board of Directors of Pegasus Hotels of Ceylon PLC ("the Company") has pleasure in presenting to the shareholders their Report together with the Audited Financial Statements for the year ended 31st March 2026.

The details set out herein provide the pertinent information required by the Companies Act, No. 07 of 2007, Listing Rules of the Colombo Stock Exchange and are guided by recommended best Accounting Practices.

The Annual Report was approved by the Board of Directors on 26th June 2026.

1. GENERAL

Pegasus Hotels of Ceylon PLC is a public quoted Company with limited liability incorporated in Sri Lanka in 1966.

2. PRINCIPAL ACTIVITIES OF THE COMPANY

The principal activities of the Company are to engage in hoteliering and leisure related activities.

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

3. REVIEW OF OPERATIONS AND FUTURE DEVELOPMENTS

The Chairman's Statement and the Management Discussion & Analysis provide an overall assessment of the business performance of the Company and its future developments.

These reports together with the audited financial statements reflect the state of affairs of the Company.

4. FINANCIAL STATEMENTS

The financial statements which comprise of the Statement of Profit or Loss and Other Comprehensive Income, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Equity and Notes to the Financial Statements of the Company for the year ended 31st March 2026 are set out on pages 45 to 94. These financial statements do comply with the requirements of the Companies Act, No. 07 of 2007.

4.1. Revenue

Detailed analysis of revenue of the Company is set out in note 11 to the Financial Statements.

4.2. Financial results and appropriations

An abridgement of the financial performance of the Company is presented in the table below.

(In Rupees thousands) For the year ended 31st March	2026	2025
Loss for the year	(33,025)	(51,289)
Other comprehensive income/ (expense) for the year, adjusted for revaluation of property, plant and equipment and related tax	(596)	(4,598)
Total comprehensive income / (expense) for the year	(33,621)	(55,887)
Retained earnings / (accumulated losses) as at the beginning of the year	(177,843)	(122,072)
Transfer of revaluation surplus on disposal of assets	1,157	-
Forfeited dividends	139	116
Accumulated losses as at the end of the year	(210,168)	(177,843)

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

4.3. Significant accounting policies
The significant accounting policies adopted in the preparation of these financial statements are given on pages 49 to 65.

4.4. Property, plant and equipment
Details of property, plant and equipment are given in note 17 to the financial statements.

4.4.1. Market value of freehold properties
The Company has recognized the carrying value of its land and building in the Statements of Financial Position at revalued amounts in accordance with Sri Lanka Accounting Standard (LKAS 16) - 'Property, Plant and Equipment'.

An independent professional valuation was performed as at 31st March 2026 by an external, independent property valuer, Mr. S. Sivaskantha, F.I.V. (Sri Lanka), Chartered Valuer. The details of the movements in fair value of Land and building of the Company during the year and their carrying values as at 31st March 2026 are presented in note 17 to the financial statements.

4.5. Capital expenditure
The details of capital additions of the Company are given in note 17 to the Financial Statements.

4.6. Reserves
The movements of total reserves of the Company are set out in the Statement of Changes in Equity on page 47.

5. STATEMENT OF DIRECTORS RESPONSIBILITIES

The responsibilities of the Directors, in relation to the financial statements are detailed in the following paragraphs, whilst the responsibilities of the Auditors are set out in the Independent Auditors' Report.

According to the Companies Act, No. 07 of 2007 and the Sri Lanka Accounting and Auditing Standards Act, No. 15 of 1995, the Directors are required to prepare financial statements for each financial year, giving a true and fair view of the state of affairs of the Company as at the end of the financial year and of the performance for the said period.

The financial statements comprise of *inter alia:*

- A Statement of Financial Position, which presents a true and fair view of the state of affairs of the Company as at end of the financial year,
- A Statement of Profit or Loss and Other Comprehensive Income of the Company, which presents a true and fair view of the financial performance of the Company for the financial year.

In preparing these financial statements the Directors are required to ensure that:

- Appropriate accounting policies have been selected and applied consistently, while material departures, if any, have been disclosed and explained,
- All applicable Accounting Standards have been complied with,
- Reasonable and prudent judgments and estimates have been made, and
- Provides the information required by and otherwise comply with the Companies Act, No. 07 of 2007 and the Listing Rules of the Colombo Stock Exchange.

The Directors are responsible for ensuring that the Company maintains sufficient accounting records to disclose with reasonable accuracy, the financial position of the Company in order to ensure that its financial statements have been prepared and presented in accordance with the Sri Lanka Accounting and Auditing Standards Act, No. 15 of 1995 and meet with the requirements of the Companies Act, No.07 of 2007.

They are also responsible for taking reasonable measures to safeguard the assets of the Company and in this regard to give proper consideration to the establishment and effective operation of appropriate systems of internal control with a view to prevent, detect and rectify fraud and other irregularities.

These financial statements have been prepared on a going concern basis since the Directors are of the view that the Company has adequate resources to continue in operation in the foreseeable future from the date of approving these financial statements.

The Directors are also of the view that they have discharged their responsibilities as set out in this statement.

The Directors confirm that to the best of their knowledge,

- All taxes, duties and levies payable to the statutory bodies.
- All contributions levies and taxes payable on behalf of and in respect of the employees, and,
- All other known statutory dues that were due and payable by the Company as at the reporting date have been paid, or where relevant provided for in these financial statements

6. INTERESTS REGISTER

The Company maintains an Interests Register conforming to the provisions of the Companies Act, No. 07 of 2007.

All Directors have made declarations as provided for in Section 192(2) of the Companies Act aforesaid.

The relevant details as required by the Companies Act, No. 07 of 2007 have been entered in the Interests Register during the year under review.

The Interests Register is available for inspection as required under the Companies Act, No. 07 of 2007.

6.1. Remuneration of Directors

Directors' remuneration for the financial year ended 31st March 2026 is given in note 13 to the Financial Statements.

6.2. Directors' Interest in Contracts and Shares

Directors' interests in contracts of the Company are disclosed in note 32 to these Financial Statements and have been declared at meetings of the Directors. The Directors have had no direct or indirect interest in any other contracts or proposed contracts in relation to the business of the Company other than those disclosed in note 32 while they had the following interests in the ordinary shares of the Company as shown in the table below.

Directors	No. of shares as at	
	31st March 2026	31st March 2025
Mr. M. Dayananda (Chairman)	-	-
Mr. M. T. L. Elias	-	-
Mr. K. Selvanathan	-	-
Mr. S. Marimuthu	400	400
Mr. D. R. P. Goonetilleke	-	-
Mr. A. S. Amaratunga	-	-
Mr. V. R. Wijesinghe	-	-
Mr. G.C. Jayaweera (Appointed w.e.f. 10th February 2026)	-	-

7. DIRECTORS

The names of the Directors who served during the period are given under Corporate Information provided in the inner back cover of the Annual Report.

7.1 Changes in the Directorate

Mr. G.C. Jayaweera was appointed as an Independent Non-Executive Director of the Company with effect from 10th February 2026.

7.2 Re-appointment of Directors who are over 70 years of age

Mr. M. Dayananda who was over 70 years of age was re-appointed as a Director of the Company in terms of Sections 210 and 211 of the Companies Act, No.07 of 2007 at the Annual General Meeting (AGM) held on 23rd July 2025 for a further period of one year commencing from the conclusion of the said AGM. i.e. till 23rd July 2026.

The Nominations and Governance Committee noted that Mr. M. Dayananda was fit and proper based on the Fit and Proper Assessment Criteria in terms of Rule 9.7.3 of the Listing Rules and based on the recommendation of the Nominations and Governance Committee and the Board, it is recommended that Mr. M. Dayananda who is over 70 years of age be reappointed as a Director of the Company until the next Annual General Meeting of the Company and that the age limit stipulated in Section 210 of the Companies Act, No.07 of 2007 shall not be applicable to him.

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7.3 Retirement by rotation and re-election

In terms of Rule 9.11.5 (ii) of the Listing Rule of the Colombo Stock Exchange, the Nominations and Governance Committee recommended the re-election of Messrs. K. Selvanathan and M.T.L. Elias who retire by rotation. Further, in terms of Rule 9.7.2 of the Listing Rules of the Colombo Stock Exchange the Board has ensured that Messrs. K. Selvanathan and M.T.L. Elias are fit and proper based on the 'Fit and Proper Criteria' stipulated in the Listing Rules.

Accordingly, in terms of Articles 72, 73 and 74 of the Articles of Association of the Company, shareholder approval is sought to re-elect Messrs. K. Selvanathan and M.T.L. Elias, who retire by rotation and being eligible, offer themselves for re-election.

7.4 Re-election of newly appointed Directors, since the last AGM

In terms of Rule 9.11.5 (ii) of the Listing Rules of the Colombo Stock Exchange, the Nominations and Governance Committee recommended the re-election of Mr. G.C. Jayaweera who was appointed to the Board since the last Annual General Meeting. Further, in terms of Rule 9.7.2 of the Listing Rules of the Colombo Stock Exchange the Board has ensured that Mr. G.C. Jayaweera is fit and proper based on the 'Fit and Proper Criteria' stipulated in the Listing Rules.

Accordingly, in terms of Article 68 of the Articles of Association of the Company, shareholder approval is sought to re-elect Mr. G.C. Jayaweera at the Annual General Meeting to be held on Wednesday, 22nd July 2026.

8. CORPORATE GOVERNANCE

The Board has ensured that the Company has complied with the Corporate Governance Rules as per the Listing Rules of the Colombo Stock Exchange (CSE).

8.1 Board of Directors

The following Directors held office as at the reporting date and their brief profiles are given on pages 7 to 9 of the Annual Report.

Directors	Executive/ Non-Executive/ Independent Non-Executive
Mr. M. Dayananda (Chairman)	Non-Executive
Mr. K. Selvanathan	Non-Executive
Mr. M.T.L. Elias	Independent Non-Executive
Mr. S. Marimuthu	Independent Non-Executive
Mr. D. R. P. Goonetilleke	Non-Executive
Mr. A. S. Amaratunga	Independent Non-Executive
Mr. V. R. Wijesinghe	Executive
Mr. G.C. Jayaweera (Appointed w.e.f. 10th February 2026)	Independent Non-Executive

8.2 Statement on Directors' Fitness and Propriety

The Company obtained an annual declaration from the Directors as per Rule 9.7.3 and 9.7.4 of the Listing Rules of the Colombo Stock Exchange (CSE) confirming that they have continuously satisfied the specified Fit and Proper Assessment Criteria set out under the Listing Rules during the financial year 2025/26 and as at the date of such confirmation. Therefore, no Director was identified as a person who has failed to fulfil the required assessment criteria during the year under review.

The Nominations and Governance Committee reviewed and evaluated the fitness and propriety of the Director of the Company based on the Fit and Proper Assessment Criteria declarations, confirms that all Directors of the Company, satisfies the Fit and Proper Assessment Criteria stipulated in the Listing Rules of the Colombo Stock Exchange.

8.3 Statement on Directors' Independence

Each of the Independent Directors of the Company have submitted a signed declaration on Independence/ Non-Independence as per Rule 9.8.5 of the Listing Rules of the Colombo Stock Exchange (CSE). The said declarations were tabled at a Board Meeting of the Board of Directors of the Company held on 12th June 2026, in order to enable the Board of Directors to determine the Independence/Non-Independence of each of the Independent Directors, in terms of Rule 9.8.3. of the Listing Rules of the CSE.

8.4. Directors' attendance at the Board Meetings

The Board of Directors met six (6) times as at the reporting date and the attendance of the Directors were as follows;

Board Members	Meetings Attended
Mr. M. Dayananda (Chairman)	6/6
Mr. K. Selvanathan	4/6
Mr. S. Marimuthu	6/6
Mr. D. R. P. Goonetilleke	6/6
Mr. A. S. Amaratunga	6/6
Mr. M.T.L. Elias	6/6
Mr. V.R. Wijesinghe	6/6
Mr. G.C. Jayaweera (Appointed w.e.f. 10th February 2026)	2/2

8.5 Board Evaluation

Each Director individually appraises the Board's performance to ensure that the Board discharging its responsibilities satisfactorily. This process takes into account and evaluates all aspects in relation to Board responsibilities.

Independent observations made by the Directors are collated and addressed by the Nominations and Governance Committee of the Company and recommended as relevant to the Board of Directors for consideration.

8.6 Board Sub Committees

The Board, while assuming the overall responsibility and accountability for the management of the Company, has also appointed Board sub-committees to ensure more effective control over certain affairs of the Company, conforming to the Corporate Governance Standards of the Listing Rules of the CSE and industry best practices. Accordingly, the following Board sub-committees have been constituted by the Board.

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

Each Sub-Committee operates under the oversight of its respective Chair and functions in accordance with its approved Committee Charter. The Sub-Committees ensure compliance with all applicable regulatory frameworks and reports to the Board accordingly.

8.6.1 Remuneration Committee

Committee Composition

As at the reporting date, the Remuneration Committee consists of the following Members:

Member	Independent Non-Executive / Non-Executive
Mr. M.T.L. Elias (Chairman)	Independent Non-Executive
Mr. S. Marimuthu	Independent Non-Executive
Mr. D. R. P. Goonetilleke	Non-Executive

Meeting attendance

From 1st April 2025 until the reporting date, the Remuneration Committee met Seven (7) times. The attendance of the Remuneration Committee Members at these meetings were as follows:

Member	Independent Non-Executive / Non-Executive	Meetings Attended
Mr. M.T.L. Elias (Chairman)	Independent Non-Executive	7/7
Mr. S. Marimuthu	Independent Non-Executive	7/7
Mr. D. R. P. Goonetilleke	Non-Executive	7/7

Remuneration Policy Statement

Pegasus Hotels of Ceylon PLC has implemented a formal Remuneration Policy to ensure transparent and equitable compensation. The policy applies to Executive Directors, Non-Executive Directors, and Chief Executive Officers (CEOs). For the purposes of this policy, "remuneration" encompasses both cash and non-cash

benefits received by these individuals where applicable. The Remuneration Committee, comprising Non-Executive and Independent Directors, is responsible for overseeing the implementation and periodic review of this policy. The policy is reviewed annually, with adjustments recommended by the Committee as deemed necessary. No Director shall participate in decisions regarding their own remuneration.

The aggregate remuneration of the Executive and Non-Executive Directors

The aggregate remuneration of the Executive and Non-Executive Directors for the year ended 31st March 2026 was Rs. 4,616,944/-.

8.6.2 Audit Committee

The Audit Committee Report is given on page 36 to 38 of this Annual Report.

8.6.3 Nominations and Governance Committee

The Nominations and Governance Committee Report is given on page 29 to 33 of this Annual Report.

8.6.4 Related Party Transactions Review Committee

The Related Party Transactions Review Committee Report is given on page 34 to 35 of this Annual Report.

Declaration

The Directors have made self-declarations for the purpose of identifying parties related to them. The said declarations were noted at the Related Party Transactions Review Committee Meetings.

The Company is in compliance with Rule 9.14 of the Listing Rules of the Colombo Stock Exchange pertaining to Related Party Transactions during the financial year.

8.7 POLICIES

In accordance with Rule 9.2.1 of the Listing Rules of the Colombo Stock Exchange, the Company established and maintains the following policies and were published on the Carson Cumberbatch PLC group's website www.carsoncumberbatch.com. with effect from 01st October 2024.

(1) Policy on the matters relating to the Board of Directors
(2) Policy on Board Committees
(3) Policy on Corporate Governance, Nominations and Re-election
(4) Policy on Remuneration
(5) Policy on Internal Code of Business conduct and Ethics for all Directors and employees, including policies on trading in the Entity's listed securities
(6) Policy on Risk management and Internal controls
(7) Policy on Relations with Shareholders and Investors
(8) Policy on Environmental, Social and Governance Sustainability
(9) Policy on Control and Management of Company Assets and Shareholder Investments
(10) Policy on Corporate Disclosures
(11) Policy on Whistleblowing
(12) Policy on Anti-Bribery and Corruption

Compliance with the Section 9 of the Listing Rules of the Colombo Stock Exchange on Corporate Governance as at date

Rule No.	Subject	Criteria	Compliance Status	Details
9.1.3.	Applicability of Corporate Governance Rules	All Listed Entities shall publish a statement confirming the extent of compliance with the Corporate Governance Rules set out herein, in the Annual Report of the Entity	Compliant	Please refer to point 8 of the Annual Report of the Board of Directors
9.2	Policies	Policies	Compliant	The Company has established and maintains required policies with effect from 01st October 2024, and which have been disclosed on the Carson Cumberbatch PLC group's website. Please refer to page 18 of the Annual Report of the Board of Directors.
9.3	Board Committees	Board Committees	Compliant	Please refer to Note 8.6.1 to 8.6.4 of the Annual Report of the Board of Directors. The Company has established its own Audit Committee, Remuneration Committee, Nominations & Governance Committee and Related Party Transactions Review Committee which are functioning effectively.
9.4.1	Adherence to principles of democracy in the adoption of meeting procedures and the conduct of all General Meetings with shareholders	Listed Entities shall maintain records of all resolutions and information pertaining to its adoption	Compliant	The Company Secretaries maintain records of all resolutions and requisite information.
9.4.2	Communication and relations with shareholders and investors	Communication and relations with shareholders and investors	Compliant	The Company has established and maintains a policy on Shareholder Communication and Relations which has been published on the Carson Cumberbatch PLC group's website. The contact person is mentioned therein. The policy includes a process whereby Directors are informed of major issues and concerns of shareholders. Please refer to page 26 of the Annual Report of the Board of Directors.

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

Rule No.	Subject	Criteria	Compliance Status	Details
9.5	Policy on matters relating to the Board of Directors	Policy on matters relating to the Board of Directors	Compliant	The Company has established and maintains a Policy on the matters relating to the Board of Directors which addresses the requirements in Rules 9.5.1 and 9.5.2 and same has been published on the Carson Cumberbatch PLC group's website.
9.6.1	Chairperson and CEO	The Chairperson of every Listed Entity shall be a Non-Executive Director and the positions of the Chairperson and CEO shall not be held by the same individual.	Compliant	Chairman is a Non-Executive Director
9.6.2	Chairperson and CEO	Where the Chairperson of a Listed Entity is an Executive Director and/or the positions of the Chairperson and CEO are held by the same individual, such Entity shall make a Market Announcement	Not Applicable	Chairman is a Non-Executive Director and the positions of the Chairperson and CEO are not held by the same individual.
9.6.3 and 9.6.4	The Requirement for a Senior Independent Director (SID)	SID to be appointed in the following instances; The positions of the Chairperson and CEO are held by the same individual. The Chairperson is an Executive Director. The Chairperson and CEO are Close Family Members or Related Parties.	Not Applicable	Chairman is a Non-Executive Director, the positions of the Chairperson and CEO are not held by the same individual and the Chairman and CEO are not Close Family Members or Related Parties.
9.7	Fitness of Directors and CEO	Fitness of Directors and CEO	Compliant	The Company obtained an annual declaration from the Directors confirming that they have continuously satisfied the specified Fit and Proper Assessment Criteria. All Directors met the fit and proper assessment criteria stipulated in the Listing Rules of the CSE.

Rule No.	Subject	Criteria	Compliance Status	Details
9.8.1	Board Composition	The Board of Directors of a Listed Entity shall, at a minimum, consist of five (05) Directors	Compliant	The Board comprises of 08 Directors.
9.8.2/9.8.3 and 9.8.5.	Independent Directors	Minimum no. of Independent Directors/ Criteria for defining independence and declaration & disclosures relating to Directors	Compliant	Please refer Note 8.1 of the Annual Report of the Board of Directors.
9.9	Alternate Director	Alternate Director	Compliant	No Alternate Directors were appointed to the Board throughout the reporting period.
9.10.4.(a) and 9.10.4(b)	Disclosure relating to Directors	Company shall publish a brief resume in the Annual Report including expertise in relevant functional areas of each Director	Compliant	Please refer the Profile of the Directors on page 7 to 9
9.10.4.(c)	Disclosure relating to Directors	Whether either the Director or Close Family Members has any material business relationships with other Directors of the Listed Entity	Compliant	As at the conclusion of the last AGM and throughout the financial year, none of the Directors or Close Family Members have had any material business relationship with other directors of the Company.
9.10.4.(d) /9.10.4.(e)/ 9.10.4.(f)/ 9.10.4.(g) and 9.10.4.(h)	Disclosure relating to Directors	Disclosure relating to Directors	Compliant	Please refer to point 8.1, 8.6 and 8.8 of the Annual Report of the Board of Directors.
9.11	Nominations and Governance Committee	Nominations and Governance Committee	Compliant	The Nominations and Governance Committee Report is given on page 29 to 33 of this Annual Report.
9.12	Remuneration Committee	Remuneration Committee	Compliant	The Remuneration Committee matters are given on point 8.6.1 of the Annual Report of the Board of Directors.
9.13	Audit Committee	Audit Committee	Compliant	The Audit Committee Report is given on page 36 to 38 of this Annual Report.

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Rule No.	Subject	Criteria	Compliance Status	Details
9.14	Related Party Transactions Review Committee	Related Party Transactions Review Committee	Compliant	The Related Party Transactions Review Committee Report is given on page 34 to 35 of this Annual Report.
9.17.(i)	Additional Disclosures	Board of Directors should declare all material interests in contracts involving the Entity and whether they have refrained from voting on matters in which they were materially interested	Compliant	Directors declared at a board meeting that they have no material interests in contracts involving the Company and there were no matters in which they were materially interested.
9.17.(ii)	Additional Disclosures	Board of Directors should conduct 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	Compliant	The Board, having reviewed the system of internal controls covering financial, operational and compliance controls and risk management, is satisfied with the Company's adherence to and effectiveness of these controls for the period up to the date of signing the Financial Statements.
9.17(iii)	Additional Disclosures	Board of Directors should make arrangements to make themselves aware of applicable laws, rules and regulations and are aware of changes particularly to Listing Rules and applicable capital market provisions.	Compliant	The Board of Directors have declared that the Company and the Board of Directors have complied with applicable laws, rules and regulations and also are aware of changes particularly to the Listing Rules of the Colombo Stock Exchange and all other applicable capital market provisions.
9.17(iv)	Additional Disclosures	Board of Directors should disclose relevant areas of any material non-compliance with law or regulation and any fines, which are material, imposed by any government or regulatory authority in any jurisdiction where the Entity has operations.	Compliant	The Board of Directors have no disclosures to be made of any material non-compliance with law or regulation and any fines, which are material, imposed by any government or regulatory authority in any jurisdiction where the Company has operations.

8.8 Disclosures relating to the Directors as per Section 9.10.4 (e) of the Listing Rules of Colombo Stock Exchange

Carson Cumberbatch PLC is the Parent Company of Pegasus Hotels of Ceylon PLC and Bukit Darah PLC is the Ultimate Parent and Controlling Entity of Pegasus Hotels of Ceylon PLC.

Name of the Director	Name of the Company, functioning capacity, Listed/Unlisted
Mr. M. Dayananda (Chairman) *(Total No. of Directorships – 03)* (Total No. of Companies within the Carson Cumberbatch PLC Group where Mr. M. Dayananda is a Key Management Personnel but not a Director – 01)	He is a Non-Executive Director and Key Management Personnel in the mentioned Listed Companies – Pegasus Hotels of Ceylon PLC and Bukit Darah PLC He is an Executive Director and Key Management Personnel in the mentioned Unlisted Company – Total Tea Concepts (Pvt) Limited
Mr. K. Selvanathan *(Total No. of Directorships - 14)* (Total No. of Companies within the Carson Cumberbatch PLC Group where Mr. K. Selvanathan is a Key Management Personnel but not a Director – 01)	He is an Executive Director and Key Management Personnel in the mentioned Listed Companies –Ceylon Guardian Investment Trust PLC and Ceylon Investment PLC He is a Non-Executive Director and Key Management Personnel in the mentioned Listed Companies - Lion Brewery (Ceylon) PLC and Pegasus Hotels of Ceylon PLC. He is a Director and/or Key Management Personnel in other Unlisted Companies within the Carson Cumberbatch PLC Group. He is a Non-Executive Director and Key Management Personnel on the mentioned Unlisted Companies - Ceylon Securities and Investments (Pvt) Ltd, S. Kanapathy Chetty (Pvt) Ltd, Tower Investments (Pvt) Ltd, Sri Krishna Corporation (Pvt) Ltd, Interkrish Investment Company (Pvt) Ltd, Hambros Investments (Pvt) Ltd and Aurora Studio (Pvt) Limited.
Mr. S. Marimuthu *(Total No. of Directorships – 06)* (Total No. of Companies within the Carson Cumberbatch PLC Group where Mr. S. Marimuthu is a Key Management Personnel but not a Director - 01)	He is an Independent Non-Executive Director and Key Management Personnel in the mentioned Listed Companies – Equity Two PLC, Pegasus Hotels of Ceylon PLC and Industrial Asphalts (Ceylon) PLC He is a Director and/or Key Management Personnel in another unlisted company of Carson Cumberbatch PLC Group He is a Non-Executive Director and Key Management Personnel in the mentioned Unlisted Companies – Knightsbridge E- commerce (Pvt) Ltd and Silverfalls (Pvt) Limited
Mr. M.T.L. Elias *(Total No. of Directorships - 01)*	He is an Independent Non-Executive Director and Key Management Personnel in the mentioned Listed Company – Pegasus Hotels of Ceylon PLC
Mr. A. S. Amaratunga *(Total No. of Directorships - 09)* (Total No. of Companies within the Carson Cumberbatch PLC Group where Mr. A. S. Amaratunga is a Key Management Personnel but not a Director - 09)	He is an Independent Non-Executive Director and Key Management Personnel in the mentioned Listed Companies - Equity Two PLC, Ceylon Beverage Holdings PLC, Bukit Darah PLC, Carson Cumberbatch PLC, Lion Brewery (Ceylon) PLC, Ceylon Guardian Investment Trust PLC, Ceylon Investment PLC and Pegasus Hotels of Ceylon PLC. He is a Non-Executive Director and Key Management Personnel in the mentioned Unlisted Company – SAARA LABs (Pvt) Ltd

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Name of the Director	Name of the Company, functioning capacity, Listed/Unlisted
Mr. D. R. P. Goonetilleke *(Total No. of Directorships - 07)* (Total No. of Companies within the Carson Cumberbatch PLC Group where Mr. D. R. P. Goonetilleke is a Key Management Personnel but not a Director - 04)	He is a Non-Executive Director and Key Management Personnel in the mentioned Listed Companies - Lion Brewery (Ceylon) PLC, Pegasus Hotels of Ceylon PLC, Ceylon Beverage Holdings PLC, Namunukula Plantations PLC and Ceylinco Holdings PLC. He is a Director and/or Key Management Personnel in other Unlisted Companies within the Carson Cumberbatch PLC Group. He is a Director and a Key Management Personnel in the mentioned unlisted Company - National Savings Bank
Mr. V.R. Wijesinghe *(Total No. of Directorships – 03)* (Total No. of Companies within the Carson Cumberbatch PLC Group where Mr. V.R. Wijesinghe is a Key Management Personnel but not a Director – 11)	He is an Executive Director and Key Management Personnel in the mentioned Listed Company – Pegasus Hotels of Ceylon PLC. He is a Key Management Personnel in the mentioned Listed Companies - Carson Cumberbatch PLC, Ceylon Beverage Holdings PLC, Lion Brewery (Ceylon) PLC, Ceylon Guardian Investment Trust PLC, Ceylon Investment PLC, Equity Two PLC and Bukit Darah PLC. He is a Director and/or Key Management Personnel in other Unlisted Companies within the Carson Cumberbatch PLC Group.
Mr. G.C. Jayaweera *(Appointed w.e.f. 10th February 2026)* *(Total No. of Directorships – 06)* (Total No. of Companies within the Carson Cumberbatch PLC Group where Mr. G.C. Jayaweera is a Key Management Personnel but not a Director - 06)	He is an Independent Non-Executive Director and Key Management Personnel in the mentioned Listed Companies – Bukit Darah PLC, Carson Cumberbatch PLC, Pegasus Hotels of Ceylon PLC, Equity Two PLC, Ceylon Guardian Investment Trust PLC and Ceylon Investment PLC He is a Key Management Personnel in the mentioned Listed Company: Ceylon Beverage Holdings PLC

9. INDEPENDENT AUDITORS

The Company's auditor during the year under review was Messrs. KPMG, Chartered Accountants.

A sum of Rs. 621,000/- was paid to them by the Company as audit fees for the year ended 31st March 2026 (2025 – Rs. 572,000/-). The Auditors were not paid fees on audit related services during the year (2025- Nil). Also, no payments were made by the Company as professional fees for non-audit services during the year (2025 - Rs.7,750,000/-).

The retiring auditors have expressed their willingness to continue in office. A resolution to re-appoint them as Independent Auditors of the Company and authorizing the Directors to fix their remuneration will be proposed at the forthcoming Annual General Meeting.

The Audit Committee reviewed the appointment of the Auditors, its effectiveness and their relationship with the Company including the level of audit and non-audit fees paid to the Auditors.

9.1. Auditor's Relationship or any interest with the Company

The Directors are satisfied that, based on written representations made by the Independent Auditors to the Board, the Auditors do not have any interest with the Company that would impair their independence.

9.2. Independent Auditor's Report

The Independent Auditor's Report on the financial statements is given on pages 41 to 44 of this Report.

10. INTERNAL CONTROL AND RISK MANAGEMENT

The ultimate responsibility to establish, monitor and review a company-wide internal control system rests with the Board of Directors. The Board of Directors has delegated oversight of risk management and internal control environment to the Audit committee. Audit Committee, through the involvement of the Group Internal Audit division, takes steps to gain assurance on the effectiveness over the financial, operational and risk management control systems in place. The Audit Committee receives regular reports on the adequacy and effectiveness of internal controls, compliance with laws and regulations and established policies and procedures of the Company. The head of the Group Internal Audit division has direct access to the Audit Committee.

Management regularly reviews compliance with relevant laws and regulations and provides written updates to the Board on a quarterly basis. Further, with the help of the Audit Committee, the Board reviews and assesses the Company's risk management process, including control environment in high-risk areas and reviews the risk policies adopted by the Company on an annual basis. This creates an opportunity to take prompt corrective action to mitigate the effects of specific risks if any. A comprehensive description of the risk management strategies of the Company are given on pages 10 to 12 in the Annual Report.

11. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

There were no significant events during the year.

12. DIVIDEND

There were no dividend payments made during the financial year.

13. SOLVENCY TEST

Since there is no recommendation for a payment of a dividend for the year ended 31st March 2026, it is not required to prepare a Solvency Statement in accordance with Section 56 of the Companies Act, No. 07 of 2007.

14. STATED CAPITAL

The Stated Capital of the Company as at 31st March 2026 was Rs. 751,548,321/50 consisting of 42,210,470 Ordinary Shares. The details of the Stated Capital are given in note 23 to the financial statements.

15. DEEMED CAPITAL CONTRIBUTION

The Parent Company, Carson Cumberbatch PLC, on behalf of the Company, had provided a Corporate Guarantee to Commercial Bank of Ceylon PLC in 2005, in securing bank borrowing facilities extended under the 'Tsunami funding scheme' at concessionary rates.

Sri Lanka Accounting Standards (LKAS 39) - "Financial Instruments - Measurement and Recognition" require 'Financial Guarantee contracts' of this nature to be recognized at their fair value in the financial statements and accordingly an amount of Rs.5,351,660/- was included in the "Stated Capital", being 'Deemed capital contribution' arising from the said transaction at each of the reporting dates. This loan was fully settled by the Company in 2014.

16. STATUTORY PAYMENTS

The Directors to the best of their knowledge and belief are satisfied that all statutory payments have been paid up to date or have been provided for in these financial statements.

17. GOING CONCERN

The Board of Directors is satisfied that the Company has adequate resources to continue its operations in the foreseeable future. Accordingly, these financial statements are prepared based on the Going Concern Concept.

18. ENVIRONMENTAL PROTECTION

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

19. HUMAN RESOURCES

The Company continues to invest in human capital development and implement effective human resource practices and policies to develop and build an efficient and effective workforce aligned around its business priorities and to ensure that its employees are developing the skills and knowledge required for future success of the Company.

The number of persons employed by the Company as at 31st March 2026 were 217 (2025 - 219) for the Company respectively.

Management support services are provided by Carsons Management Services (Private) Limited (CMSL).

20. MATERIAL ISSUES PERTAINING TO EMPLOYEES AND INDUSTRIAL RELATIONS

There were no material issues relating to employees and industrial relations during the year ended 31st March 2026.

21. OUTSTANDING LITIGATIONS

There was no litigation pending against the Company as at 31st March 2026.

22. EQUITABLE TREATMENT TO SHAREHOLDERS

The Company ensures that the rights of all shareholders are preserved and has established procedures to ensure the fair and equitable treatment of all shareholders, and an array of measures is also in place to ensure that shareholder views are identified and fully considered.

The policy on relations with Shareholders and Investors is available on the Company's website.

The Company communicates with the shareholders through the following means of communication: -

1. Annual General Meeting (AGM) and Extraordinary General Meetings (EGM).

The Annual General Meeting provides shareholders with the opportunity to share their views and to meet the Board, including the Chairman of the Board committees and members of Key Management Personnel. Further, Company's external auditors are also present at the Annual General Meeting.

2. Announcements to the Colombo Stock Exchange
3. Carson Cumberbatch PLC group's website : www.carsoncumberbatch.com
4. Opportunity to interact with the Company Secretaries

Shareholders may direct any major issues and concerns which they may have to the Company Secretaries who serve as a point of contact for all shareholders of the Company, who will forward such concerns or queries to the Board of Directors.

23. EVENTS AFTER THE REPORTING DATE

Subsequent to the reporting date, no circumstances have arisen which would require adjustments to or disclosures in the financial statements.

24. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

The contingent liabilities and commitments as at 31st March 2026 are given in note 31 to the financial statements.

25. SHARE INFORMATION

Information relating to share trading are given on pages 98 and 99 of this Report.

26. TWENTY MAJOR SHAREHOLDERS WITH COMPARATIVES

The Parent Company, Carson Cumberbatch PLC holds 89.98% of the total Ordinary Shares in issue of the Company as at 31st March 2026.

	Name of Shareholders	31st March 2026 No. of shares	%	31st March 2025 No. of shares	%
1	CARSON CUMBERBATCH PLC A/C NO.2	37,982,617	89.98	37,982,617	89.98
2	MERCHANT BANK OF SRI LANKA LTD/C. SATHKUMARA	690,592	1.64	304,142	0.72
	MR. C. SATHKUMARA	422,014	1.00	415,482	0.98
3	MRS. V.R. JAYASINGHE	256,214	0.61	172,329	0.41
4	ESTATE OF LATE MR. K.C. VIGNARAJAH	235,220	0.56	262,055	0.62
5	MR. P. SRI SKANDARAJAH	70,351	0.17	-	-
6	MR. M.F.J. MACAN MARKAR	70,000	0.17	70,000	0.17
7	MR. A. M. WEERASINGHE	63,888	0.15	63,888	0.15
8	ARCHIMEDES CONSULTANTS (PVT) LTD	62,633	0.15	-	-
9	MR. P. R. HETTIWATTA	58,252	0.14	-	-
10	MRS. I. GWYN (DECEASED)	55,000	0.13	55,000	0.13
11	MR. K.C. JAYAWARDENE	53,088	0.13	70,000	0.17
12	MRS. L.A. JAYASINGHE	50,000	0.12	50,000	0.12
13	MR. K. M. V. J. SENARATHNE	49,997	0.12	49,997	0.12
14	MR. R.R. VITHANAGE	47,718	0.11	-	-
15	MR. K. K. D. SENANAYAKE	43,750	0.10	43,750	0.10
16	MR. N.H. TALGASWATTE	43,212	0.10	25,000	0.06
17	MR. H. A. S. MADANAYAKE	40,000	0.09	40,000	0.09
18	MR. B. U. M. DE S. JAYASINGHE	36,909	0.09	-	-
19	MR. A. SITHAMPALAM	30,000	0.07	30,000	0.07
20	MRS. R.C. RANASINGHE	29,164	0.07	-	-

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

27. DISPOSAL OF A LAND OWNED BY THE COMPANY

The Board of Directors have proposed that the Land owned by the Company at No. 242 A, Beach Road, Palliyawatte, Wattala to be sold to a non-related party and the requisite Special Resolution to give effect to the above is set out in the Notice Convening the Annual General Meeting on page 100 to 101 of the Annual Report.

28. ANNUAL REPORT

The information provided herein is in pursuance of the requirements of the Companies Act, No. 07 of 2007 and the Listing Rules of the Colombo Stock Exchange.

The Board of Directors has approved the Financial Statements of the Company together with the reviews, which form part of the Annual Report on 26th June 2026.

The appropriate number of copies of the Annual Report would be submitted to the Colombo Stock Exchange, the Sri Lanka Accounting and Auditing Standard Monitoring Board and the Registrar of Companies within the applicable time frames.

29. ANNUAL GENERAL MEETING

The 60th Annual General Meeting of the Company will be held on Wednesday, 22nd July 2026 at 9.30 a.m. at the Auditorium, Ground Floor, The Ceylon Chamber of Commerce, No.50, Nawam Mawatha, Colombo 2, Sri Lanka.

The Notice of the Annual General Meeting, setting out the business which will be transacted thereat is on page 100 to 101 of the Annual Report.

Signed on behalf of the Board,

(Sgd.)
M. Dayananda
Chairman

(Sgd.)
K. Selvanathan
Director

(Sgd.)
Natasha Selvaratnam
President – Group Company Secretarial
Carsons Management Services (Private) Limited
Secretaries

Colombo
26th June 2026

NOMINATIONS AND GOVERNANCE COMMITTEE REPORT

1. COMMITTEE COMPOSITION

As at the reporting date, the Nominations and Governance Committee of the Company consists of the following Members:

Member	Independent Non-Executive / Non-Executive	Date of Appointment
Mr. S. Marimuthu (Chairman)	Independent Non-Executive	25th September 2024
Mr. M.T.L. Elias	Independent Non-Executive	01st January 2024
Mr. M. Dayananda	Non-Executive	15th June 2018

2. DIRECTOR NOMINATION AND COMMITTEE APPOINTMENTS

The Nominations and Governance Committee operates under a documented policy and established procedures for nominating Directors to the Board and recommending appointments to the Company's sub-committees. These processes ensure that all appointments are made based on merit, experience and alignment with the Company's strategic needs and governance principles. Members of the Committee abstain from participating in decisions relating to their own appointments.

3. RETIREMENT AND RE-ELECTION OF DIRECTORS

As provided in the Articles of Association of the Company, one-third of the Directors elected by the Company shall retire from office at each Annual General Meeting. The Directors to retire each year shall be those who have been in office for the longest since their last election. Every retiring Director is eligible for re-election, subject to the recommendation of the Board, and shall continue to act as a Director throughout the meeting at which they retire. Directors appointed as Nominee Directors, as provided in the Articles of Association, are not subject to retirement and re-election. All directors who are subject to retirement by rotation and re-election as per the Articles of Association of the Company are required to submit themselves for re-election at regular intervals and at least once in every three years as explained above.

3.1 In terms of Rule 9.11.5 (ii) of the Listing Rules of the Colombo Stock Exchange (CSE), the Committee has recommended the re-election of Messrs. K. Selvanathan - Non-Executive Director and M.T.L. Elias - Independent Non-Executive Director to the Board at the Annual General Meeting (AGM) to be held on 22nd July 2026, in accordance with Articles 72,73 and 74 of the Company's Articles of Association. This recommendation is based on their combined knowledge, experience and the valuable contributions they have made toward achieving the objectives of the Board.

3.2 In terms of Article 68 of the Company's Articles of Association, any Director appointed to the Board under this Article shall hold office only until the next AGM and shall then be eligible for re-election. Accordingly, in compliance with the Articles and Rule 9.11.5 (ii) of the Listing Rules of the Colombo Stock Exchange, the Committee has recommended the re-election of Mr. G.C. Jayaweera - Independent Non-Executive Director, who was appointed to the Board since the last AGM, to be re-elected at the forthcoming AGM scheduled to be held on 22nd July 2026.

3.3 In recognition of the extensive experience, deep insight and domain knowledge, the Committee recommended to the Board and the Board approved the re-appointment of Mr. M. Dayananda - Non-Executive Director who is over seventy years of age and is due to retire in terms of Section 210 of the Companies Act, No. 07 of 2007.

Mr. M. Dayananda is to be re-appointed as a Director of the Company until the next AGM of the Company and the age limit stipulated in Section 210 of the Companies Act, No. 07 of 2007 shall not be applicable to him.

NOMINATIONS AND GOVERNANCE COMMITTEE REPORT

3.4 Details of the Directors being re-elected and/or re- appointed;

Carson Cumberbatch PLC is the Parent Company of Pegasus Hotels of Ceylon PLC and Bukit Darah PLC is the Ultimate Parent and Controlling Entity of Pegasus Hotels of Ceylon PLC.

Board Member	Re-elected or re-appointed	Board Committees served on as a Member/Chairman	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 3 years in other Listed Entities	Any relationships* including close family relationships (As defined in CSE Rule 9.8.4) between the candidate and the Directors, the Listed Entity or its shareholders holding more than 10% of the shares of the Company (*business relationship)
Mr. M. Dayananda	To be re-appointed as per Section 210 & 211 of the Companies Act, No. 07 of 2007 at the AGM on 22nd July 2026	Member of: Nominations and Governance Committee	04th September 2020	23rd July 2025	Non-Executive Director of: Bukit Darah PLC	-
Mr. K. Selvanathan	To be re-appointed as per Articles 72, 73 and 74 at the AGM on 22nd July 2026	-	15th November 2015	19th July 2024	Executive Director of: • Ceylon Guardian Investment Trust PLC • Ceylon Investment PLC Non-Executive Director of: • Lion Brewery (Ceylon) PLC	A close family member is a Director of Carson Cumberbatch PLC [CCPLC] [CCPLC holds 89.98% shares in Pegasus Hotels of Ceylon PLC]
Mr. M.T.L. Elias	To be re-appointed as per Articles 72,73 and 74 at the AGM on 22nd July 2026	Member of: • Nominations and Governance Committee • Remuneration Committee	03rd February 2020	23rd July 2025	-	-

Board Member	Re-elected or re-appointed	Board Committees served on as a Member/Chairman	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 3 years in other Listed Entities	Any relationships* including close family relationships (As defined in CSE Rule 9.8.4) between the candidate and the Directors, the Listed Entity or its shareholders holding more than 10% of the shares of the Company (*business relationship)
Mr. G.C. Jayaweera	To be re-elected as per Article 68 of the Articles of Association of the Company at the AGM on 22nd July 2026	Member of: • Audit Committee • Related Party Transactions Review Committee	10th February 2026	Appointed to the Board w.e.f. 10th February 2026	Independent Non-Executive Director of: • Bukit Darah PLC • Carson Cumberbatch PLC • Equity Two PLC • Ceylon Guardian Investment Trust PLC • Ceylon Investment PLC	Director of Carson Cumberbatch PLC [CCPLC] [CCPLC holds 89.98% shares in Pegasus Hotels of Ceylon PLC]

4. BOARD DIVERSITY

The Board of Directors recognizes diversity in experience, skills, age and gender as key enabler of effective governance and strategic oversight. The Board comprises individuals with varied professional backgrounds, combining local insights with international experience to guide the Company through evolving challenges. Age and gender diversity are promoted, ensuring a balanced mix of perspectives that drive innovation and sound decision making.

5. DIRECTOR'S APPOINTMENT AND REAPPOINTMENT

The Company follows a transparent and well-structured process for the appointment and re-appointment of Directors, in line with its Articles of Association, the Listing Rules of the CSE and Corporate Governance Best Practices. The Nominations and Governance Committee is responsible for identifying and evaluating candidates based on qualifications, experience, leadership competencies and independence.

Re-appointments are based on Directors' contribution and alignment with the Company's strategic goals. Directors retiring by rotation are subject to Shareholder approval at the Annual General Meeting. For Independent Non-Executive Directors, compliance with the criteria for independence as per Rule 9.8.3 of the Listing Rules is verified prior to re-appointment. This ensures that the integrity and objectivity of the Board are maintained.

6. BOARD AND CEO PERFORMANCE EVALUATION

In compliance with Rule 9.11.5. of the Listing Rules of the CSE, the Committee confirms that periodic evaluations have been conducted on the performance of the Board of Directors. These evaluations are aimed at assessing the effectiveness of the Board's oversight responsibilities in achieving the Company's strategic objectives. The performance reviews are structured, criteria-based and carried out under supervision of the Nominations and Governance Committee. Feedback from these evaluations is used to identify areas for improvement and to support ongoing Board effectiveness.

NOMINATIONS AND GOVERNANCE COMMITTEE REPORT

7. ENGAGEMENT OF INDEPENDENT DIRECTORS

The Company has implemented structured processes to ensure Independent Directors are kept fully informed of all significant matters impacting the Company. These include the timely distribution of detailed Board packs, participation in key Board Committees, unrestricted access to senior management, regular updates on material developments and ongoing induction and briefings. These measures enable Independent Directors to effectively fulfil their oversight and governance responsibilities.

8. INDUCTION AND ORIENTATION FOR NEW DIRECTORS

The Company conducts structured induction and orientation programs for newly appointed Directors. These programs are designed to familiarize Directors with the Company's governance framework, business operations, industry environment and key regulatory obligations. The sessions cover topics including corporate governance practices, the Listing Rules of the Colombo Stock Exchange, securities market regulations and other applicable legal and regulatory requirements. This ensures that new Directors are well-equipped to discharge their duties effectively from the outset of their appointment.

9. UPDATES TO EXISTING DIRECTORS

During the year under review, the Nominations and Governance Committee facilitated updates to the Board of Directors on key developments in Corporate Governance, amendments to the Listing Rules of the CSE, securities market regulations and other applicable laws and regulations. These sessions are intended to ensure that Directors remain well informed and compliant with evolving governance and regulatory standards.

In addition to these updates, the Committee reviews a comprehensive Regulatory and Corporate Compliance Statement and the Nominations and Governance Committee Compliance Statement, which also outlines the Company's adherence to policies under Rule 9.2.1. The Committee also evaluates Fit and Proper Assessment Criteria declarations and annual declarations of independence submitted by Directors as well as during the process of recommending new appointments to the Board.

10. MEETING ATTENDANCE

From 1st April 2025 until the reporting date, the Committee met six (6) times. The attendance of the Committee Members at these meetings were as follows:

Member	Independent Non-Executive / Non-Executive	Attendance
Mr. S. Marimuthu (Chairman)	Independent Non-Executive	6/6
Mr. M.T.L. Elias	Independent Non-Executive	6/6
Mr. M. Dayananda	Non-Executive	6/6

11. STATEMENT ON DIRECTORS' INDEPENDENCE

11.1 As required under Rule 9.8.5. (a) of the Listing Rules of the CSE, the following Independent Non-Executive Directors of the Company have each submitted a signed and dated declaration confirming their independence, in accordance with the criteria specified in the CSE Listing Rules.

1. Mr. S. Marimuthu – Independent Non-Executive
2. Mr. M.T. L. Elias – Independent Non-Executive
3. Mr. A.S. Amaratunga – Independent Non-Executive
4. Mr. G.C. Jayaweera – Independent Non-Executive

11.2 In accordance with Rule 9.11.6 (I) of the Listing Rules of the CSE, the Nominations and Governance Committee confirms that, as at the reporting date, the Independent Non-Executive Directors of the Company have satisfied the criteria for determining Independence as specified under Rule 9.8.3 of the CSE Listing Rules.

12 STATEMENT ON DIRECTORS' FITNESS AND PROPRIETY

12.1 As required by Rule 9.7.4 of the Listing Rules, the Company is required to obtain confirmations annually and has obtained signed declarations from all Directors of the Company, confirming that each of them have continuously satisfied the Fit and Proper Assessment Criteria set out under the Listing Rules during the financial year 2025/26 and satisfies the said criteria as at the date of such confirmation.

12.2 The Nominations and Governance Committee reviewed and evaluated the fitness and propriety of the Directors of the Company based on the Fit and Proper Assessment Criteria declarations and confirms that all Directors of the Company as at the reporting date, satisfies the Fit and Proper Assessment Criteria stipulated in the Listing Rules of the Colombo Stock Exchange.

13. STATEMENT ON CORPORATE GOVERNANCE

In accordance with Rule 9.11.6 (m) of the Listing Rules of the CSE, the Nominations and Governance Committee confirms that the Company is in compliance with the Corporate Governance requirements stipulated under the said Listing Rules.

(Sgd.)
S. Marimuthu
Chairman – Nominations and Governance Committee

26th June 2026

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

1. COMMITTEE COMPOSITION

As at the reporting date, the Related Party Transactions Review Committee (RPTRC) of the Company consists of the following Members:

Member	Independent Non-Executive / Non-Executive
Mr. A. S. Amaratunga (Chairman)	Independent Non-Executive
Mr. S. Marimuthu	Independent Non-Executive
Mr. D.R.P. Goonetilleke	Non-Executive
Mr. G.C. Jayaweera (Appointed w.e.f. 10th February 2026)	Independent Non-Executive

2. MEETING ATTENDANCE

From 1st April 2025 until the reporting date, the Committee met six (6) times. The attendance of the Committee Members at these meetings were as follows:

Member	Independent Non-Executive / Non-Executive / Executive	Attendance
Mr. A. S. Amaratunga (Chairman)	Independent Non-Executive	6/6
Mr. S. Marimuthu	Independent Non-Executive	6/6
Mr. D.R.P. Goonetilleke	Non-Executive	6/6
Mr. G.C. Jayaweera (Appointed w.e.f. 10th February 2026)	Independent Non-Executive	2/2

3. DISCLOSURES AS PER SECTION 9.14.8 OF THE LISTING RULES OF THE COLOMBO STOCK EXCHANGE

3.1 Non-Recurrent Related Party Transactions

In accordance with Rule 9.14.8 (1) of the Listing Rules of the Colombo Stock Exchange, there were no Non-Recurrent Related Party Transactions entered into by the Company, where the aggregate value of such Transactions exceeded 10% of the Equity or 5% of the Total Assets of the Company, whichever is lower, as per the Audited Financial Statements available during the year.

3.2 Recurrent Related Party Transactions

In accordance with Rule 9.14.8 (2) of the Listing Rules of the Colombo Stock Exchange there were no Recurrent Related Party Transactions entered into by the Company, where the aggregate value of such Transactions exceeded 10% of the Gross Revenue/ Income (or equivalent term in the Income Statement and in the case of group entity consolidated revenue), as per the latest Audited Financial Statements.

4. STATEMENT ON REVIEW OF RELATED PARTY TRANSACTIONS

As required by Rule 9.14.8 (3) of the Listing Rules of the Colombo Stock Exchange, the Related Party Transactions Review Committee (RPTRC) of the Company reviewed all Related Party Transactions (RPTs) carried out during the financial year from 1st April 2025 to 31st March 2026, excluding those transactions exempted under Listing Rule 9.14.10 of the Listing Rules of the CSE.

Following its review, the RPTRC communicated its comments and observations to the Board of Directors of the Company.

5. POLICIES AND PROCEDURES FOR REVIEW AND APPROVAL OF RELATED PARTY TRANSACTIONS

As required by Rule 9.14.8 (3) of the Listing Rules of the Colombo Stock Exchange, the Committee adopts the following policies and procedures for reviewing related party transactions of the Company.

1) The Related Party Transactions Review Committee (RPTRC) reviews all relevant Related Party Transactions (RPTs) of the Company and where the Committee determines that approval of the Board of Directors of the Company is required, such approval will be obtained prior to entering into the relevant transaction.

2) Senior management provides RPTRC with all the facts and circumstances of a proposed RPT to facilitate the review of a RPT and such information includes;

- related party's relationship to the Company and interest in the transaction;
- material facts of the proposed RPT, including the proposed aggregate value of such transaction;
- benefits of the proposed RPT to the Company;
- availability of other sources of comparable products or services; and
- an assessment of whether the proposed RPT is on terms that are comparable to the terms generally available to an unaffiliated third party under the same or similar circumstances, or to employees generally.

3) In reviewing a transaction, RPTRC assesses whether the proposed RPT is conducted during the ordinary course of business and is carried out at an arm's length basis, regardless of whether the transaction is of recurrent or non-recurrent in nature.

4) Reviews and approvals by the RPTRC are conducted either at duly convened Meetings of the Committee (subject to quorum requirements being met) or by way of Circular Resolution.

5) In deciding whether to seek the approval of the Board of Directors for a given RPT, the RPTRC considers, among other relevant factors, whether the transaction pose any actual or potential conflict of interest to the Directors and advise the Board accordingly.

6) Submit Related Party Transactions that require Shareholder approval by way of a Special Resolution, as stipulated under Rule 9.14 of the Listing Rules of the Colombo Stock Exchange, for Shareholder approval once reviewed and approved by the RPTRC and the Board of Directors of the Company.

7) The Board of Directors of the Company has been identified as Key Management Personnel (KMP). Each Director and KMPs provide declarations to identify parties related to them. Related Party Transactions are identified based on the disclosures made in these declarations.

6. DECLARATION

As required by Rule 9.14.8 (4) of the Listing Rules of the Colombo Stock Exchange, the following declaration by the Board of Directors is captured in Section 8.6.4 of the 'Annual Report of the Board of Directors on the Affairs of the Company' of this Report.

The Company is in compliance with Rule 9.14 of the Listing Rules of the Colombo Stock Exchange, pertaining to Related Party Transactions, during the financial year ended 31st March 2026.

(Sgd.)
A. S. Amaratunga
Chairman – Related Party Transactions Review Committee

26th June 2026

AUDIT COMMITTEE REPORT

1. COMMITTEE COMPOSITION

1.1 As at the reporting date, the Audit Committee of the Company consists of the following Members:

Member	Independent Non-Executive/ Non-Executive
Mr. A.S. Amaratunga (Chairman)	Independent Non-Executive
Mr. S. Marimuthu	Independent Non-Executive
Mr. D. R. P. Goonetilleke	Non-Executive
Mr. G.C. Jayaweera (Appointed w.e.f. 10th February 2026)	Independent Non-Executive

1.2 Profile of the Members of the Audit Committee
Refer page 7 to 9 for the profiles of the Audit Committee members.

2. MEETINGS OF THE AUDIT COMMITTEE

2.1 From 1st April 2025 until the reporting date, the Committee met ten (10) times. The attendance of the Committee Members at these meetings were as follows:

Member	Independent Non-Executive/ Non-Executive	Attendance
Mr. A.S. Amaratunga (Chairman)	Independent Non-Executive	10/10
Mr. S. Marimuthu	Independent Non-Executive	10/10
Mr. D.R.P. Goonetilleke	Non-Executive	10/10
Mr. G.C. Jayaweera (Appointed w.e.f. 10th February 2026)	Independent Non-Executive	4/4

2.2 Director-Finance, Carsons Management Services (Private) Limited - Managers, Internal Auditors and Senior management staff members also attended the Audit Committee Meetings by invitation.

3. AUDIT COMMITTEE CHARTER

The Company has an Audit Committee Charter and the powers and responsibilities of the Audit Committee are governed by the Audit Committee Charter.

4. FUNCTIONS AND DUTIES

4.1 Assists the Board of Directors in fulfilling its oversight responsibilities of the financial reporting process, the system of internal control over financial reporting, the audit process, risk management and the Company's processes for monitoring compliance with financial reporting requirements, information requirements under the Corporate Governance Rules of the Colombo Stock Exchange, the Companies Act, No.07 of 2007 and the Securities and Exchange Commission of Sri Lanka (SEC) Act No.19 of 2021, and other relevant financial reporting related regulations.

4.2 Reviews and recommends the Interim Financial Statements of Pegasus Hotels of Ceylon PLC for the approval of the Board of Directors prior to the release of same to the Regulatory Authorities and to the Shareholders. The Audit Committee held meetings to discuss and review the Interim Financial Statements of the Company.

4.3 Reviews and recommends the Annual Report of Pegasus Hotels of Ceylon PLC for the approval of the Board of Directors and release of same to the Regulatory Authorities and to the Shareholders.

4.4 Recommends appointment/re-appointment/removal of External Auditors and approve their remuneration and engagement terms.

4.5 Obtains and reviews assurances received from the Managers that the financial records have been properly maintained and the Financial Statements give a true and fair view of the Company's operations and finances. Reviews assurances given by the Managers and Key Management Personnel who are responsible regarding the adequacy and effectiveness of the Company's risk management and internal control systems.

4.6 Reviews the internal controls in place to prevent the leakage of material information to unauthorized persons.

4.7 Reviews and oversees processes to ensure that the Company's internal controls and risk management are adequate.

4.8 Reviews and assesses the Company's risk management process, including control environment in high-risk areas, Business Continuity Plans and reviews the risk policies adopted by the Company on an annual basis.

4.9 Takes prompt corrective action to request management to mitigate the effects of specific risks.

4.10 Reviews the scope and results of the internal and external audits and its effectiveness and the independence, performance and objectivity of the auditors.

4.11 Reviews the policy and the process on engaging External Auditors for non-audit services, ensuring compliance with independence and ethical guidelines. Reports any concerns or areas for improvement to the Board along with recommended actions.

5. ASSURANCE FROM THE CEO AND CFO REGARDING THE COMPANY'S OPERATIONS AND FINANCES AND AN OPINION ON COMPLIANCE WITH FINANCIAL REPORTING AND INFORMATION REQUIREMENTS UNDER RELEVANT REGULATIONS

As required under Rule 9.13.5 (2)(c) and (d) of the Listing Rules of the CSE, the Audit Committee was provided with confirmations and declarations as required by the Managers, Carsons Management Services (Private) Limited that the Financial Statements have been prepared in accordance with the Listing Rules of the Colombo Stock Exchange, Sri Lanka Accounting Standards, information required by the Companies Act, No. 07 of 2007 and the Securities and Exchange Commission of Sri Lanka therein and presented a true and fair view of the Company's state of affairs as at that date and the Company's activities during the year under review.

6. INTERNAL AUDIT

6.1 The objective of the Group Internal Audit function is to provide an independent assessment of the system of internal controls established by management. This includes evaluating their adequacy and integrity in relation to the objectives they are intended to support, as well as determining the extent of compliance by responsible staff. Where necessary, corrective or preventive actions are recommended.

6.2 The Audit Committee approved the Company's Audit Plan for the financial year 2025/2026. In accordance with the plan, the Group Internal Audit has conducted relevant reviews of the Company. Where necessary, the Audit Plan was reviewed and adjusted to enable the Internal Audit team to address areas requiring attention beyond the initial scope of the Internal Audit Plan.

6.3 The findings and content of Group Internal Audit reports are initially discussed with the relevant management staff. The reports are then presented at Audit Committee meetings, where they are reviewed in the presence of senior management. Particular focus is given to significant findings, associated recommendations, proposed corrective actions, management responses and the implementation status, which is monitored regularly.

6.4 Where necessary, material concerns highlighted by Group Internal Audit are taken up by the Audit Committee for further discussion and deliberation at Board Meetings.

7. STATUS OF RISK MANAGEMENT AND INTERNAL CONTROL

7.1 As required under Rule 9.13.5(2)(b) of the Listing Rules of the CSE, the Committee reviews the Risk Management Reports, risk heat map, risk register and activities related to managing risks, especially the processes adopted with management to identify, assess and mitigate risks through appropriate and timely action.

7.2 The Committee provides oversight on adequacy and effectiveness of the Company's internal controls and risk management processes.

8. EXTERNAL AUDIT

8.1 The External Auditors' Letter of Engagement was reviewed and discussed by the Committee with Messrs. KPMG and management, prior to the commencement of the audit and the Committee followed up on all matters raised by the External Auditors after the final review.

AUDIT COMMITTEE REPORT

8.2 The Audit Committee has determined that the independence of Messrs. KPMG, Chartered Accountants, have not been impaired by any event or service that gives rise to conflict of interest. The Committee also reviewed the arrangements made by the Auditors to maintain their independence and written confirmation has been received from the Auditors of their compliance, with the independence guidelines given in the 'Code of Professional Conduct and Ethics' issued by the Institute of Chartered Accountants of Sri Lanka.

8.3 Messrs. KPMG have been the External Auditors of the Company since 1967 and the Audit Engagement Partner for the financial year ended 31st March 2026 is Mr. Rajesh Rajan, who was appointed as Audit Partner in 2026 following the rotation of the previous Partner.

8.4 The Committee reviews the Non-Audit services obtained from Messrs. KPMG and the fees paid to them for such services, at quarterly Audit Committee Meetings. The Auditors have confirmed that they are not aware of any relationship with or interest in Pegasus Hotels of Ceylon PLC that, in their judgment, may reasonably be deemed to have a bearing on their independence within the meaning of the 'Code of Professional Conduct and Ethics' issued by the Institute of Chartered Accountants of Sri Lanka.

8.5 The Members of the Audit Committee have concurred to recommend to the Board of Directors the re-appointment of Messrs. KPMG, Chartered Accountants, as Auditors for the financial year ending 31st March 2027, subject to the approval of the Shareholders of Pegasus Hotels of Ceylon PLC at the Annual General Meeting.

8.6 The Audit Committee held a meeting to discuss and review the Financial Statements of the Company, the Audit Opinion and External Audit matters of the Company for the year ended 31st March 2026, together with the External Auditors, Messrs. KPMG, prior to release of same to the Regulatory Authorities and to the Shareholders.

(Sgd.)
A. S. Amaratunga
Chairman - Audit Committee

26th June 2026



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FINANCIAL CALENDAR

Financial Year	31st March 2026
Announcement of Results	
1st Quarter	30th June 2025
Issued to Colombo Stock Exchange	14th August 2025
2nd Quarter	30th September 2025
Issued to Colombo Stock Exchange	14th November 2025
3rd Quarter	31st December 2025
Issued to Colombo Stock Exchange	13th February 2026
4th Quarter	31st March 2026
Issued to Colombo Stock Exchange	29th May 2026
Meetings	
59th Annual General Meeting	23rd July 2025
60th Annual General Meeting	22nd July 2026

INDEPENDENT AUDITOR'S REPORT

KPMG
(Chartered Accountants)
32A, Sir Mohamed Macan Markar Mawatha,
P. 0. Box 186,
Colombo 00300, Sri Lanka.

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TO THE SHAREHOLDERS OF PEGASUS HOTELS OF CEYLON PLC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Pegasus Hotels of Ceylon PLC ("the Company"), which comprise the statements 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 material accounting policies and other explanatory information.

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

Basis for Opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards ("SLAuSs"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company 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 Company financial statements of the current period. These matters were addressed in the context of our audit of the Company financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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T.J.S. Rajakarier FCA
W.K.D.C. Abeyrathne FCA
Ms. B.K.D.T.N. Rodrigo FCA
Ms. C.T.K.N. Perera ACA
R. G. H. Raddella ACA,
W.W.J.C. Perera FCA
G.A.U. Karunaratne FCA
R.H. Rajan FCA
A.M.R.P. Alahakoon ACA
Ms. S. Joseph FCA
R.M.D.B. Rajapakse FCA
M.N.M. Shameel FCA
Ms. P.M.K. Sumanasekara FCA

Principals: S.R.I. Perera FCMA (UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA, Ms. F. R. Ziyard ACA, FCMA (UK), FCIT, K. Somasundaram ACMA (UK), Ms. D Corea Dharmaratne

INDEPENDENT AUDITOR'S REPORT



01. Revaluation of Land and Building	
Refer to Note 17.2 to the financial statements.	
Risk Description	**Our Response**
As at the reporting date 31 March 2026, land and building carried at the fair value, classified under Property, Plant and Equipment amounted to Rs. 3,367 Mn. The fair value of property was determined by external Independent Professional Valuer engaged by the management. We identified this as a key audit matter because valuation of land and building was significant to our audit due to the use of significant estimates such as per perch price and value per square foot.	Our audit procedures included; • Assessing the objectivity, independence, competence, and qualification of the external valuer. • Assessing the key inputs used in the valuation by the independent external valuer against our expectations based on our experience, externally published market comparables and our knowledge of the property market, consultation with an internal valuation specialist. • Assessing the adequacy of the disclosure in the financial statements.

02. Revenue recognition	
Risk Description	**Our Response**
The Company recorded revenue from rooms, food and beverages, and other hotel services amounting to Rs. 986 Mn during the year, as disclosed in Note 11. Given the high volume of daily transactions and the significance of revenue as a key performance indicator, there is an increased risk associated with revenue recognition. Accordingly, due to its significance, the inherent risks relating to the accuracy and completeness of revenue, the critical role performed by the night audit process, and the reliance on IT systems, revenue recognition has been identified as a key audit matter.	Our audit procedures included: • Assessing whether the Company's accounting policy for revenue recognition has been appropriately applied. • Evaluating the design and testing the operating effectiveness of key internal controls over revenue, including daily Night Audit reconciliations and supervisory reviews. • Testing the operating effectiveness of key IT application controls over revenue, in addition to evaluating the integrity of the general IT control environment with the assistance of IT specialists. • Obtaining an understanding and testing design, implementation and operating effectiveness of controls over journal entries and post closing adjustments. • Comparing revenue transactions recorded during the current year, agreeing the night auditor reports to the general ledger to ensure that the revenue is accounted accurately and completely in the general ledger. • Cut-off testing over the revenue recorded in the beginning and end of the financial period on a sample basis.

KPMG

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the Financial Statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company'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 Company internal control.
- 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 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 Company'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 Company 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.

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

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

From the matters communicated with those charge 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 3707.



CHARTERED ACCOUNTANTS
Colombo, Sri Lanka

26th June 2026

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(All figures in Sri Lankan Rupees thousands)

For the year ended 31st March	Note	2026	2025
Revenue	11	985,891	968,685
Direct costs		(647,150)	(649,371)
Gross profit		338,741	319,314
Other income	12	7,617	4,939
Selling and promotional expenses		(55,771)	(69,983)
Administrative expenses		(308,635)	(265,856)
Loss from operations	13	(18,048)	(11,586)
Loss from disposal of subsidiary	20.1	-	(21,834)
Finance income	14.1	29,942	9,997
Finance costs	14.2	(17,865)	(19,880)
Net finance income / (cost)	14	12,077	(9,883)
Loss before taxation		(5,971)	(43,303)
Income tax expenses	15.1	-	-
Deferred taxation	15.2	(27,054)	(7,986)
Loss for the year		(33,025)	(51,289)
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Gain / (loss) from actuarial valuation of employee benefits	27.2	(851)	(6,568)
Revaluation of property, plant and equipment	17.1	762,033	-
Related tax	26.1	(228,355)	1,970
Other comprehensive income / (expense) for the year		532,827	(4,598)
Total comprehensive income / (expense) for the year		499,802	(55,887)
Earnings / (loss) per share (Rs.)	16	(0.78)	(1.22)

The notes from pages 49 to 94 form an integral part of these Financial Statements.
Figures in brackets indicate deductions.

STATEMENT OF FINANCIAL POSITION

(All figures in Sri Lankan Rupees thousands)

As at 31st March	Note	2026	2025
ASSETS			
Non-current assets			
Property, plant and equipment	17	3,502,339	2,636,579
Compensation receivable	18	24,759	24,759
Total non-current assets		3,527,098	2,661,338
Current assets			
Inventories	19	43,092	38,386
Investment in fixed deposits		214,150	125,033
Trade and other receivables	21	128,032	125,850
Tax receivable		3,033	1,787
Cash and cash equivalents	22	107,704	248,955
Total current assets		496,011	540,011
Total assets		4,023,109	3,201,349
EQUITY AND LIABILITIES			
Equity			
Stated capital	23	751,549	751,549
Capital reserves	24	2,131,198	1,598,932
Revenue reserves	25	(209,992)	(177,667)
Total equity		2,672,755	2,172,814
Non-current liabilities			
Deferred tax liability	26	871,839	616,430
Employee benefits	27	32,536	27,982
Loans and borrowings	28	146,667	68,948
Total non-current liabilities		1,051,042	713,360
Current liabilities			
Trade and other payables	29	252,644	202,925
Loans and borrowings	28	46,668	112,250
Total current liabilities		299,312	315,175
Total liabilities		1,350,354	1,028,535
Total equity and liabilities		4,023,109	3,201,349
Net assets per share (Rs.)		63.32	51.48

The notes from pages 49 to 94 form an integral part of these Financial Statements.

I certify that these financial statements have been prepared in compliance with the requirements of Companies Act No. 7 of 2007.

(Sgd.)
L.C.D. Prasanga
Group Financial Controller
Carsons Management Services (Private) Limited

The Board of Directors is responsible for the preparation and presentation of these financial statements. These financial statements were approved by the Board on 26th June 2026.

Approved and signed on behalf of the Managers,

(Sgd.)
V.R. Wijesinghe
Director
Carsons Management Services (Private) Limited
26th June 2026

Approved and signed on behalf of the Board,

(Sgd.)
M. Dayananda
Chairman

(Sgd.)
K. Selvanathan
Director

STATEMENT OF CHANGES IN EQUITY

(All figures in Sri Lankan Rupees thousands)

		Capital reserves		Revenue reserves		Total equity
	Stated capital	Revaluation reserve	Capital accretion reserve	General reserve	Accumulated losses	
Balance as at 1st April 2024	751,549	1,583,788	15,144	176	(122,072)	2,228,585
Loss for the year	-	-	-	-	(51,289)	(51,289)
Other comprehensive income / (expense) for the year	-	-	-	-	(4,598)	(4,598)
Total comprehensive income / (expense) for the year	-	-	-	-	(55,887)	(55,887)
Forfeiture of unclaimed dividends	-	-	-	-	116	116
Balance as at 31st March 2025	751,549	1,583,788	15,144	176	(177,843)	2,172,814
Balance as at 1st April 2025	751,549	1,583,788	15,144	176	(177,843)	2,172,814
Loss for the year	-	-	-	-	(33,025)	(33,025)
Other comprehensive income / (expense) for the year	-	533,423	-	-	(596)	532,827
Total comprehensive income / (expense) for the year	-	533,423	-	-	(33,621)	499,802
Transfer of revaluation surplus on disposal of assets	-	(1,157)	-		1,157	-
Forfeiture of unclaimed dividends	-	-	-	-	139	139
Balance as at 31st March 2026	751,549	2,116,054	15,144	176	(210,168)	2,672,755

The notes from pages 49 to 94 form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

STATEMENT OF CASH FLOWS

(All figures in Sri Lankan Rupees thousands)

For the year ended 31st March	Note	2026	2025
Cash flows from operating activities			
Loss before taxation		(5,971)	(43,303)
Adjustments for:			
Interest income on fixed deposits and savings accounts	14.1	(21,329)	(9,175)
Unrealised foreign exchange loss/ (gain)	14.1/14.2	(6,167)	1,081
Loss from disposal of subsidiary	20.1	-	21,834
Interest expenses on loans and borrowings	14.2	17,865	18,799
Depreciation on property, plant and equipment	17	61,081	62,738
(Profit) / loss on disposal of property, plant and equipment		4,462	-
Property, plant and equipment written off		-	1,312
Inventory written off		285	-
Provision for employee benefits	27.2	5,940	4,420
Provision made / (reversal of provision) for impairment of trade receivables	21.1	(217)	(501)
Operating profit / (loss) before working capital changes		55,949	57,205
(Increase) / decrease in inventories		(4,991)	(7,023)
(Increase) / decrease in trade and other receivables		(1,965)	(24,382)
Increase / (decrease) in trade and other payables		50,788	56,279
Increase / (decrease) in amounts due to related companies		-	(37,437)
Cash generated from / (used in) operations		99,781	44,642
Employee benefits paid	27.1	(2,237)	(515)
Income tax paid		-	-
Net cash generated from / (used in) operating activities		97,544	44,127
Cash flows from investing activities			
Proceeds from disposal of subsidiary, net of transaction cost		-	235,008
Purchase of property, plant and equipment	17.1	(170,008)	(28,555)
Proceeds from disposal of property, plant and equipment		-	78
Investment in fixed deposits		(279,201)	(57,500)
Withdrawal of fixed deposits		191,516	20,968
Interest received		18,651	9,061
Net cash generated from / (used in) investing activities		(239,042)	179,060
Cash flows from financing activities			
Loans and borrowings obtained during the year	28.1	403,000	233,000
Loans and borrowings repaid during the year	28.1	(390,863)	(246,270)
Interest paid on loans and borrowings		(18,057)	(19,285)
Net cash generated from / (used in) financing activities		(5,920)	(32,555)
Net increase / (decrease) in cash and cash equivalents		(147,418)	190,632
Effect of exchange rate changes on cash and cash equivalents		6,167	(1,081)
Cash and cash equivalents at the beginning of the year		248,955	59,404
Cash and cash equivalents at the end of the year	22	107,704	248,955

The notes from pages 49 to 94 form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

NOTES TO THE FINANCIAL STATEMENTS

(All figures in Sri Lankan Rupees thousands)

1. CORPORATE INFORMATION

a) Reporting Entity

Pegasus Hotels of Ceylon PLC (the 'Company') is a Public Limited Liability Company incorporated and domiciled in Sri Lanka and listed on the Colombo Stock Exchange.

The Company has its registered office at No. 61, Janadhipathi Mawatha, Colombo 1. Its principal place of business is situated at Santha Maria Mawatha, Hendala, Wattala.

b) Disposal of subsidiary - Equity Hotels Limited

On 28th March 2025, the Company disposed its entire shareholding of 2,173,341 ordinary shares, representing 99.99% stake, of Equity Hotels Limited to Lavendish Leisure Hotels and Resorts (Private) Limited ('the Buyer') at a consideration of Rs.243,464,041/-. The Buyer is a non-related party to the Company, as well as to the Carson Cumberbatch PLC Group/ Bukit Darah PLC.

c) Principal activities and nature of operations

The principal activities of the Company are hoteliering and leisure-related activities.

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

d) Parent enterprise and ultimate parent enterprise

The Company's Parent undertaking as of 31st March 2026 is Carson Cumberbatch PLC and its ultimate Parent undertaking and controlling entity is Bukit Darah PLC.

e) Number of employees

The number of employees of the Company as at the reporting date was 217 (2025: 219).

f) Responsibility for financial statements and approval of financial statements

The Board of Directors is responsible for preparing and presenting the financial statements of the Company as per the provisions of Companies Act No. 07 of 2007 and the Sri Lanka Accounting and Auditing Standards Act. The Directors' responsibility over financial statements for the year ended 31st March 2026 is detailed in the Statement of Directors' Responsibility.

The financial statements of the Company for the year ended 31st March 2026 were authorised for issue in accordance with a resolution of the Board of Directors on 26th June 2026.

2. BASIS OF PREPARATION

a) Statement of compliance

The Financial Statements of the Company have been prepared in accordance with the Sri Lankan Accounting Standards (the " Accounting Standards"), as issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka). The accounting standards comprise:

- Sri Lanka Financial Reporting Standards ("SLFRS");
- Sri Lanka Accounting Standards ("LKAS");
- Statements of Recommended Practices (SoRPs);
- Statement of Alternate Treatment (SoATs); and
- Financial Reporting Guidelines issued by the CA Sri Lanka.

The Accounting Standards along with FAQs issued are available at the website of CA Sri Lanka www.casrilanka.com.

Sri Lanka Financial Reporting Standards which comprise of the Statement of Financial Position, Statement of Profit or Loss and Other Comprehensive income, Statement of Changes in Equity and Statement of Cash Flows have been prepared in accordance with Sri Lanka Accounting Standards (hereinafter referred to as SLFRS / LKASs) as issued by the Institute of Chartered Accountants of Sri Lanka. These Financial Statements except for information on cash flows, have been prepared following accruals basis of accounting.

b) Statement of presentation

The Financial Statements of the Company have been presented in compliance with the requirements of the Companies Act No. 07 of 2007 and provide appropriate disclosures as required by the Listing Rules of the Colombo Stock Exchange.

c) Basis of measurement

The financial statements have been prepared on an accrual basis and under the historical cost basis and applied consistently with no adjustments being made for inflationary factors affecting the financial statements, except for the following material items in the Statement of Financial Position:

- Land and buildings measured at revalued amounts – Note 17
- Defined benefit obligations measured at its present value based on an actuarial valuation - Note 27

d) Functional and presentation currency

The financial statements are presented in Sri Lankan Rupees, which is the functional and presentation currency of the Company. All financial information presented has been rounded to the nearest thousand except where otherwise indicated as permitted by the Sri Lanka Accounting Standard LKAS 1 on 'Presentation of Financial Statements'.

e) Use of accounting judgments, estimates and assumptions

The preparation of the financial statements in conformity with LKAS/SLFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the amounts recognised in the Financial Statements are included in the following notes;

- Deferred tax assets: Utilisation of tax losses - Note 26.5
- Measurement of Defined benefit obligation: Key actuarial assumptions - Note 27
- Commitments and contingencies - Note 31
- Revaluation of Land and Buildings - Note 30.7
- Compensation receivable measured at amortized cost - Note 18
- Measurement of ECL allowance for trade receivables - Note 21.1.1

f) Measurement of fair values

A number of the Company's accounting policies and disclosures require measuring fair values for both financial and non-financial assets and liabilities.

The Company regularly reviews significant unobservable inputs and valuation adjustments. If third party information is used to measure fair values, the Company assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of SLFRS, including the level in the fair value hierarchy in which such valuations should be classified.

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (Unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair value is included in note 30.7.

g) Materiality and aggregation

Materiality and aggregation Each material class of similar items is presented in aggregate in the financial statements. Items of dissimilar nature or function are presented separately unless they are immaterial as permitted by the Sri Lanka Accounting Standard – LKAS 1 'Presentation of Financial Statements' and amendments to the LKAS 1.

Notes to the financial statements are presented in a systematic manner, which ensures the understandability and comparability of the Company's financial statements. The understandability of the financial statements is not compromised by obscuring material information with immaterial information or by aggregating material items that have different natures or functions.

h) Going Concern

Financial statements of the Company have been prepared on a going concern basis, as detailed in note 34.

i) Comparative Information

Comparative information has been reclassified/ restated where necessary to conform to the current year's classification in order to provide a better presentation.

3. MATERIAL ACCOUNTING POLICIES

The Company has consistently applied the following accounting policies to all periods presented in these financial statements.

Statement of Financial Position

a) Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currency of company at exchange rates as at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate as of that date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction.

Foreign currency differences arising on translation are generally recognised in profit or loss.

b) Financial instruments

i. Recognition and initial measurement

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the entity becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

ii. Financial Assets

Classification and subsequent measurement

On initial recognition, a financial asset is classified as measured at amortized cost, Fair Value through Other Comprehensive Income(FVOCI) – debt investment, FVOCI – equity investment, or Fair Value Through Profit or Loss(FVTPL).

After their initial recognition, financial assets are not reclassified unless the Company changes its business model for managing financial assets. In this case, all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL.

- It is held within a business model whose objective is to hold assets to collect contractual cash flows and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Company's financial assets classified under amortised cost include trade and other receivables, investment in fixed deposits and cash and cash equivalents.

A debt investment is measured at FVOCI if it meets the following conditions and is not designated as FVTPL.

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets – Business model assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes.

- The stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- How the performance of the portfolio is evaluated and reported to the Company's management;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- How managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- The frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectation about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial Assets – Assessment of whether contractual cash flows are solely payments of principal and interest

For the purpose of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money, the credit risk associated with the

principal amount outstanding during a particular period, and other basic lending risks and costs. (e.g. liquidity risk and administrative costs), as well as a profit margin.

payments of principal and interest, the Company consider the contractual terms of the instrument. This includes assessing whether the financial asset contains contractual cash flows such that it would not meet this condition. In making this assessment, the Company consider:

- Contingent events that would change the amount or timing of cash flows;
- Terms that may adjust the contractual coupon rate, including variable-rate features;
- Prepayment and extension features; and
- Terms that limit the Company's claim to cash flows from specified assets (e.g. nonrecourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

iii. Financial Liabilities – Classification, subsequent measurement and gain and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified at FVTPL if it is classified as held-for-trading, it is a derivative, or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

iv. Derecognition

1. Financial asset

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred in which the Company neither transfer nor retain substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enter into transactions whereby they transfer assets recognize in its Statement of Financial Position, but retain either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not recognized.

Financial assets – subsequent measurement and gains and losses:

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income is calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in the profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

2. Financial liabilities

The Company derecognises a financial liability when its contractual obligation is discharged, cancelled, or expired. The Company derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different in which case a new financial liability based on the modified terms is recognised at fair value.

On the derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

v. Offsetting

Financial assets and liabilities are offset, and the net amount is presented in the Statement of Financial Position when, and only when, the Company currently has a legally enforceable right to set off the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

vi. Impairment

1. Non-derivative financial assets

The Company recognises loss allowances for Expected Credit Losses (ECLs) on financial assets measured at amortised cost.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company's historical experience and informed credit assessment and including forward looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

A financial asset is considered to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- the financial asset is more than 120 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company are exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expect to receive).

ECLs are discounted at the effective interest rate of the financial asset.

2. Credit-impaired financial assets

At each reporting date, the Company assess whether financial assets carried at amortised cost are credit impaired. A financial asset is 'credit impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or being more than 120 days past due;
- The restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- It is probable that the borrower will enter bankruptcy or other financial reorganisation.
- The disappearance of an active market to a security because of financial difficulties.

Presentation of allowance for ECL in the Statement of Financial Position.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off when the Company have no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Company have a policy of writing off the gross carrying amount when the financial asset is 180 days past due based on historical experience of recoveries of similar assets. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

3. Non-financial assets

The carrying amount of the Company's non-financial assets other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, or when annual impairment testing for an asset is required, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or Cash Generating Units (CGUs). An impairment loss is recognised if the carrying amount of an asset or a CGU exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. 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 or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its estimated recoverable amount.

Impairment losses are recognised in Profit or Loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU or group of CGUs, and then to reduce the carrying amounts of the other assets in the CGU or group of CGUs on a pro-rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

c) Stated capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs attributable to the issue of ordinary shares are recognised as a deduction from equity. Income tax relating to transaction cost of an equity transaction is accounted for in accordance with LKAS 12.

d) Property, plant and equipment

i. **Recognition and measurement**

Property, Plant and Equipment are recognised if it is probable that future economic benefits associated with the asset will flow to the Company and the cost can be reliably measured. Items of property, plant and equipment are measured at cost/ fair value less accumulated depreciation and any accumulated impairment losses.

The cost of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use. The cost of self-constructed assets includes the cost of materials, direct labour and any other costs directly attributable to bringing the asset to the working condition of its intended use. This also includes costs of dismantling and removing the items and restoring the site on which they are located and borrowing costs on qualifying assets.

All items of property, plant and equipment are recognised initially at cost.

If a significant part of an item of property, plant and equipment has different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

Cost Model

The Company applies the cost model to property, plant and equipment except for freehold land and buildings

Revaluation of freehold properties

The Company applies the revaluation model to the entire class of freehold land and buildings. A revaluation is carried out at least once in two (2) years to ensure that the book value reflects the realisable value of such assets. Revalued amounts are depreciated over the remaining useful lives of such assets, wherever applicable.

An increase in the carrying amount on revaluation is recognised in other comprehensive income and accumulated in equity in the revaluation reserve unless it reverses a previous revaluation decrease relating to the same asset, which was previously recognised as an expense. In these circumstances the increase is recognised as income to the extent of the previous write down.

Decreases in the carrying amount on revaluation that offset previous increases of the same individual assets are charged against the revaluation reserve directly in equity. All other decreases are recognised in profit or loss.

Any balance remaining in the revaluation surplus in respect of an asset, is transferred directly to retained earnings on retirement or disposal of the asset.

ii. **Subsequent cost**

Subsequent cost is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Company and the cost of the item can be measured reliably. The costs of day today servicing of property, plant and equipment are recognised in profit or loss as incurred.

iii. **Depreciation**

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line basis over their estimated useful lives and is generally recognised in profit or loss unless the amount is included in the carrying amount of another asset. Depreciation on revalued classes of assets is based on the remaining useful life of the assets at the time of the revaluation Leased assets are depreciated over the shorter of the lease term or their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Lands are not depreciated.

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

	No of Years
Buildings – freehold	2-50
Plant and machinery	3-15
Motor vehicles	4-5
Office equipment	3-20
Furniture and fittings	3-20
Computer equipment	3-5
Cutlery, crockery and glassware	5

Depreciation of an asset begins when it is available for use or, in respect of self-constructed assets, from the date that the asset is completed and ready for use.

Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognised.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

iv. **Derecognition**

An item of property, plant and equipment is derecognised upon disposal of or when no future economic benefits are expected from its use or disposal. The gains or losses arising on derecognition (disposal or retirement) of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment and are recognised net within 'other income' in the Statement of Profit or Loss. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

v. **Capital work-in-progress.**

Capital work-in-progress represents the accumulated cost of material and other costs directly related to the construction of an asset. Capital work-in- progress is transferred to the respective asset accounts at the time it is substantially completed and ready for its intended use.

e) **Leases**

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

As a lessee

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

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

The right-of-use asset is subsequently amortised using the straight-line method from the commencement date to the end of the lease term unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case, the right-of-use asset will be amortised over the useful life of the underlying asset, which is determined on the same basis as property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Company's incremental borrowing rate.

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

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

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

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

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

The Company separately presents right-of-use assets that do not meet the definition of investment property in right-of-use assets in the Statement of Financial Position.

Short-term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for low-value and short-term leases, including IT equipment. The Company recognise the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Lease modifications

The Company accounts for a lease modification as a separate lease if both:

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

b) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract. For a lease modification that is not accounted for as a separate lease, at the effective date of the lease modification, the Company shall:

- allocate the consideration in the modified contract
- determine the lease term of the modified lease

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

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

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

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

f) Intangible assets

i. Recognition and measurement

Software

All computer software costs incurred, licensed for use by the Company, that are not integrally related to the associated hardware, which can be clearly identified, reliably measured, and it's probable that they will lead to future economic benefits, are recorded under the intangible assets category and carried at cost less accumulated amortisation and any accumulated impairment losses.

ii. Subsequent expenditure

Subsequent expenditures are capitalised only when they increase the future economic benefits embodied in the specific asset they relate to. All other spending, including expenditures on internally generated goodwill and brands, are recognised in profit or loss as incurred.

iii. Amortisation

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives and is generally recognised in profit or loss.

The estimated useful lives for the current and comparative years are as follows:

	No of Years
Software licenses	3 – 10

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

iv. Impairment

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually or more frequently if events and circumstances indicate that the carrying value may be impaired either individually or at the CGU level. Such intangible assets are not amortized. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable.

v. Derecognition

Gains or losses arising from the 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 profit or loss when the asset is derecognised.

g) Inventories

Inventories are recognised at the lower of the cost and net realisable value. The cost of inventories is determined on a weighted average basis for food items, which are ascertained on a first-in-first-out basis. The costs are derived on the following bases:

Linen stock	In the year of purchase at the cost of purchase and in the second year in use at 25% of the cost of purchase.
Food items	Weighted average basis
Engineering spares and others	Weighted average basis

h) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value and are used by the Company in the management of its short-term commitments.

Bank overdrafts are shown under current liabilities. For the purpose of Cash Flows, bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as components of cash and cash equivalents.

i) Employee benefits

i. Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and expensed as related service is provided. A liability is recognised for the amount expected to be paid if the Company have a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

ii. Defined contribution plans - Employees' Provident Fund and Employees' Trust Fund

A defined contribution plan is a post-employment benefit plan under which the Company pay fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts.

Employees are eligible for Employees' Provident Fund contributions and Employees' Trust Fund contributions in line with respective statutes and regulations.
The Company contributes 12% and 3% of the gross emoluments of employees to the Employees' Provident Fund and Employees' Trust Fund, respectively, and is recognised as an expense in profit and loss in the periods during which employees render services.

iii. Defined benefit plans

The Company's net obligation with respect to the defined benefit plan is calculated by estimating the amount of future benefits that employees have earned in current and prior periods and discounting that amount.

The defined benefit obligation is calculated annually by a qualified actuary using the projected unit credit method. Re-measurement of the net defined benefit liability, which comprises actuarial gains and losses, is recognised immediately in OCI. The Company determine the net interest expense on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined liability, taking into account any changes in the net defined benefit liability during the period as a result of contributions and benefit payments. Net interest and other expenses related to defined benefit plans are recognised in profit or loss. The liability is not externally funded.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefits that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Company recognises gains or losses on the settlement of a defined plan when the settlement occurs.

iv. Termination benefits

Termination benefits are recognised as an expense when the Company are demonstrably committed, without a realistic possibility of withdrawal, to a formal, detailed plan to either terminate employment before the expected retirement date or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Company have made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

j) Provisions

A provision is recognised if, as a result of a past event, the Company have a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

k) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation.

A contingent liability also arises in extremely rare cases where a liability cannot be recognised because it cannot be measured reliably. The Company does not recognise a contingent liability but discloses its existence in the financial statements.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company. The Company does not recognise contingent assets but discloses their existence where inflows of economic benefits are probable but not virtually certain. In the acquisition of subsidiaries by the Company under business combinations, contingent liabilities assumed are measured initially at their fair value at the acquisition date, irrespective of the extent of any minority interest.

Statement of Profit or Loss and Other Comprehensive Income

l) Revenue recognition

Revenue is measured based on the consideration specified in a contract with a customer. The Company recognises revenue when it transfers control over the goods or services to a customer.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including payment terms and related revenue recognition policies.

Type of service	Nature and timing of the satisfaction of performance obligation
Provision of accommodation	The primary obligation in the customer contract is to provide rooms for guests' accommodation. This is represented in the room revenue reported in the financial statements. Revenue under this segment is recognised on the rooms occupied daily over the period of the stay. An invoice is issued to the customer on completion of the duration of the stay.
Provision of food and beverages	The following services are rendered under this performance obligation: i. Provision of BB/HB/FB meals for guests occupying the hotels, which is part and parcel of the contract entered into. Revenue is recognised on completion of the guest's stay duration. ii. Provision of food and beverages - Revenue is recognised when invoiced to customers upon their consumption.
Provision of laundry, telephone, sports, etc.	These services are provided to customers as they are implied as business practices in the industry and create a valid expectation of the customer. Revenue is recognised upon the provision of services and an invoice raised.

m) Other income

Rent and shop income represents the rental income arising from renting of property, plant and equipment. All revenue is recognised on a straight-line basis over the term of hire.

Dividend income is recognised when the right to receive dividends is established, which is generally when the dividend is declared. Dividend income is included under other operating income.

n) Expenditure recognition

All expenditures incurred in running the business and maintaining the property, plant, and equipment in a state of efficiency have been charged to income in arriving at the profit or loss for the year.

o) Finance income and finance costs

Finance income comprises interest income on funds invested, net gain or loss on financial assets at FVTPL, dividend income, unwinding of discount on compensation receivable, gains on the re-measurement to fair value of any pre-existing interest in an acquiree in a business combination, gains on that are recognised in profit or loss and reclassifications of net gains previously recognised in other comprehensive income. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions and corporate guarantee charges that are recognised in profit or loss and reclassifications of net losses previously recognised in other comprehensive income.

Borrowing costs not directly attributable to acquiring, constructing or producing a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses on financial assets and financial liabilities are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

p) Income tax expense

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

The Company has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes and has therefore accounted for them under LKAS 37 Provisions, Contingent Liabilities, and Contingent Assets.

i. Current taxation

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date and any adjustment to tax payable in respect of previous years.

Taxation for the current and previous periods to the extent unpaid is recognised as a liability in the financial Statements. When the amount of taxation already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset in the Financial Statements.

ii. Deferred taxation

Deferred tax is recognised with respect to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered based on the business plans of the Company. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects to recover or settle the carrying amount of its assets and liabilities at the reporting date.

Deferred tax assets and liabilities are offset only if certain criteria are met.

iii. Tax exposures

In determining the amount of current and deferred tax, the Company take into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Company to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact the tax expense in the period that such a determination is made.

4. RELATED PARTY DISCLOSURES

Transactions with the related parties, regardless of whether a price is charged, have been disclosed when a person or an entity can control or exercise significant influence over the reporting entity.

5. STATEMENT OF CASH FLOWS

The Statement of Cash Flows has been prepared using the "Indirect Method" of preparing cash flows in accordance with the Sri Lanka Accounting Standard – LKAS 7 on 'Statement of Cash Flows', whereby operating activities, investing activities and financing activities are separately recognised.

Cash and cash equivalents comprise short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

Interest and dividend paid are classified as financing cash flows, while interest and dividend received are classified as investing cash flows, for the purpose of presenting the Cash Flow Statement, which has been prepared using the "Indirect Method."

6. EARNINGS PER SHARE

The Company's basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding of the Company during the period under review.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

7. EVENTS AFTER THE REPORTING PERIOD

All material and important events which occur after the reporting date have been considered and disclosed in notes to the financial statements.

8. DIVIDENDS

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Company's shareholders. Interim dividends are deducted from equity when they are declared and are no longer at the discretion of the Company.

9. SEGMENT REPORTING

An operating segment is a component within the Company that engages in business activities for which it may earn distinct revenue and expenses for such segment. The operating results arising from the hoteliering business of the Company as a whole are reviewed regularly by the Company's chief operating decision maker to make decisions about resources to be allocated and to assess its performance. The Company operates only in the hoteliering segment. Therefore, no segmental reporting is presented.

10. STANDARDS ISSUED BUT NOT YET EFFECTIVE

The Institute of Chartered Accountants of Sri Lanka has issued several new accounting standards and amendments/improvements to existing standards. These new standards are set to become effective in the coming years. Early application of these standards is allowed, but the Company has not early adopted any of the new or amended standards in the preparation of the financial statements.

1. SLFRS 18 Presentation and Disclosures in Financial Statements

SLFRS 18 will replace LKAS 1 Presentation of Financial Statements and is applicable for annual reporting periods beginning on or after 01st January 2027. The new accounting standard introduces the following key new requirements.

(a) Entities are required to classify all income and expenses into five categories in the statement of profit or loss, namely the operating, investing, financing, discontinued operations and income tax categories. Entities are also required to present a newly defined operating profit subtotal. Entities' net profit will not change.

(b) Management-defined performance measures (MPMs) are disclosed in a single note in the financial statements.

(c) Enhanced guidance is provided on how to group information in the financial statements.

In addition, all entities are required to use the operating profit subtotal as the starting point for the statement of cash flows when presenting operating cash flows under the indirect method.

The Company is in the process of assessing the impact of the new accounting standard, particularly with respect to the structure of the Company's statement of profit or loss, the statement of cash flows and the additional disclosures required for MPMs. The Company is also assessing the impact on how information is grouped in the financial statements.

2. SLFRS S1 General requirements for disclosure of sustainability related financial information and SLFRS S2 Climate-related disclosures

- **SLFRS S1 General requirements for disclosure of sustainability related financial information**

  SLFRS S1 General Requirements for disclosure of sustainability related financial information requires an entity to disclose information about its sustainability-related risks and opportunities that is useful to primary users of general-purpose financial reports in making decisions relating to providing resources to the entity.

- **SLFRS S2 Climate-related disclosures**

  SLFRS S2 Climate-related Disclosures Climate-related disclosures is to require an entity to disclose information about its climate-related risks and opportunities that is useful to primary users of general-purpose financial reports in making decisions relating to providing resources to the entity.

These standards will become effective for the Company from 1st April 2027. No financial impact is expected on the Company except for additional disclosures.

3. Other accounting standards

Annual improvements to SLFRS Accounting Standards – Volume 11

The amendments apply for annual reporting periods beginning on or after 1st January 2026. These changes are not expected to have a significant impact on the Company's Financial Statements.

	For the year ended 31st March	2026	2025
11	REVENUE		
	Room revenue	438,434	423,834
	Food and beverage revenue	523,374	515,577
	Other revenue	24,083	29,274
		985,891	968,685
11.1	Timing of revenue recognition		
	Revenue recognised at a point in time	437,722	450,597
	Revenue recognised over time	548,169	518,088
		985,891	968,685
12	OTHER INCOME		
	Rent income	3,031	2,114
	Club membership income	2,274	2,061
	Sundry income	2,312	764
		7,617	4,939
13	LOSS FROM OPERATIONS		
	Loss from operations is stated after charging all expenses including the following:		
	Auditor's remuneration		
	- Audit services	621	572
	- Non-audit services	-	7,750
	Loss on disposal of property, plant and equipment	4,462	-
	Depreciation of property, plant and equipment (note 13.1)	61,081	62,738
	Write-off of property, plant and equipment	-	1,312
	Write-off of inventory	285	-
	Reversal of Provision for impairment of trade receivables (note 21.1.1)	(217)	(501)
	Professional service costs (note 13.2)	3,168	2,436
	Personnel costs (note 13.3)	309,472	255,296
	Support service fees (note 32.3)	10,029	9,039

	For the year ended 31st March	2026	2025
13.1	**Depreciation**		
	Depreciation is included in the statement of profit or loss under the following headings:		
	Direct costs	53,398	55,123
	Administrative expenses	7,683	7,615
		61,081	62,738
13.2	**Professional service costs**		
	Legal services	1,116	704
	Valuation services	372	77
	Other services	1,680	1,655
		3,168	2,436
13.3	**Personnel costs**		
	Salaries, wages and other related expenses	278,148	230,699
	Defined benefits plan cost - employee benefits (note 27.2)	5,940	4,420
	Defined contribution plan cost - EPF and ETF	25,384	20,177
		309,472	255,296
	The above includes:		
	Directors' fees and emoluments	4,617	3,317
		4,617	3,317

	For the year ended 31st March	2026	2025
14	**NET FINANCE INCOME / (COST)**		
14.1	**Finance income**		
	Interest income on fixed deposits and savings accounts	21,329	9,175
	Realised exchange gains	2,446	822
	Unrealised exchange gains	6,167	-
		29,942	9,997
14.2	**Finance costs**		
	Interest expenses on loans and borrowings	17,865	18,799
	Unrealised exchange losses	-	1,081
		17,865	19,880
	Net finance income / (cost)	12,077	(9,883)
15	**INCOME TAX EXPENSES**		
15.1	**Current taxation**		
	Current tax expenses (note 15.3)	-	-
	Under / (over) provision for previous years	-	-
		-	-
15.2	**Deferred taxation**		
	On origination and (reversal of) temporary differences (note 26.1)	27,054	7,986
		27,054	7,986
	Total taxation	27,054	7,986

15 INCOME TAX EXPENSES CONTD.

For the year ended 31st March	2026	2025
15.3 Reconciliation between the accounting profit and the profit for tax purposes		
Accounting profit / (loss) before taxation	(5,971)	(43,303)
Aggregate disallowable expenses	71,639	78,103
Aggregate allowable expenses	(64,561)	(41,559)
Loss from disposal of subsidiary	-	21,834
Tax loss incurred during the year	16,900	-
Interest income	(18,007)	-
Adjusted Profit from operations for tax purposes	-	15,075
Investment Income - Interest income	18,007	-
Total Income	18,007	15,075
Utilisation of tax losses (notes 15.4)	(18,007)	(15,075)
Assessable / Taxable income	-	-
Taxation thereon (note 15.5 a)	-	-
15.4 Analysis of tax losses		
Tax losses brought forward	429,966	490,413
Tax loss incurred during the year	16,900	-
Adjustment on finalisation of tax liability	-	6,571
Expiry of tax losses (note 15.5 (b))	(528)	(51,943)
Utilisation of tax losses during the year (note 15.5 (b))	(18,007)	(15,075)
Tax losses carried forward	428,331	429,966

15.5 Income tax provisions applicable

(a) In terms of the provisions of Inland Revenue Act. No 24 of 2017 and amendments thereto, the Company was liable to income tax at 30% (2025 – 30%).

(b) As per section 19 of the Inland Revenue Act No. 24 of 2017 and amendments thereto, any unclaimed tax losses incurred during the year could be carried forward for further six years. Such losses can be set off against profits without any limitation but subject to the limitation based on the tax rate applicable for source of income as provided in the Act. The Company has carried forward tax losses which are available to be set off against the future tax profits of the Company.

(c) Deferred tax has been computed using the rate of 30% (2025 – 30%).

16 EARNINGS / (LOSS) PER SHARE

16.1 Basic Earnings / (loss) per share

Earnings / (Loss) per share is calculated on the profit / (loss) attributable to the shareholders of Pegasus Hotels of Ceylon PLC over the weighted average number of ordinary shares outstanding, as required by Sri Lanka Accounting Standard (LKAS 33) - "Earnings per share".

The following reflects the earnings and share data used for the computation of "Basic earnings per share".

For the year ended 31st March	2026	2025
Amount used as the numerator		
Profit / (loss) attributable to the ordinary shareholders of the Company	(33,025)	(51,289)
Amount used as the denominator		
Weighted average number of ordinary shares in issue applicable to Earnings per Share (In thousands)	42,210	42,210
Earnings / (loss) per share (Rs.)	(0.78)	(1.22)

16.2 Diluted Earnings / (loss) per share

There were no potentially dilutive ordinary shares as at 31st March 2026 and there have been no transactions involving ordinary shares or potential ordinary shares as at the reporting date which would require restatement of EPS.

17 PROPERTY, PLANT AND EQUIPMENT

17.1 Reconciliation of carrying amount

	Freehold land	Freehold building	Plant and machinery	Furniture and fittings	Computer equipment	Equipment	Motor vehicles	Cutlery crockery and glassware	Capital work-in progress	Total as at 31st March 2026	Total as at 31st March 2025
Cost / valuation											
Balance as at the beginning of the year	1,567,198	1,065,148	132,122	162,049	17,566	132,876	4,569	3,466	2,204	3,087,198	3,066,585
Additions during the year	-	8,645	5,771	27,158	1,196	26,260	-	6,380	94,598	170,008	28,555
Transfers during the year	-	54,568	-	19,077	-	4,158	-	-	(77,803)	-	-
Revaluation	665,170	96,863	-	-	-	-	-	-	-	762,033	-
Adjustment on revaluation	-	(84,635)	-	-	-	-	-	-	-	(84,635)	-
Write off during the year	-	-	-	-	-	-	-	-	-	-	(1,312)
Disposals during the year	-	(6,239)	(2,072)	(4,588)	(51)	(1,150)	-	(1,405)	-	(15,505)	(6,630)
Balance as at the end of the year	2,232,368	1,134,350	135,821	203,696	18,711	162,144	4,569	8,441	18,999	3,919,099	3,087,198
Depreciation											
Balance as at the beginning of the year	-	43,671	107,179	156,885	15,892	120,332	4,569	2,091	-	450,619	392,886
Charge for the year	-	42,915	6,212	3,575	965	6,717	-	697	-	61,081	62,738
Adjustment on revaluation	-	(84,635)	-	-	-	-	-	-	-	(84,635)	-
On disposals during the year	-	(1,951)	(2,072)	(4,437)	(51)	(1,126)	-	(668)	-	(10,305)	(5,005)
Balance as at the end of the year	-	-	111,319	156,023	16,806	125,923	4,569	2,120	-	416,760	450,619
Net book value as at the end of the year	2,232,368	1,134,350	24,502	47,673	1,905	36,221	-	6,321	18,999	3,502,339	2,636,579

17 PROPERTY, PLANT AND EQUIPMENT CONTD.

17.2 Freehold land and freehold building of the Company were revalued as at 31st March 2026 by an external, independent property valuer, Mr. S. Sivaskantha, F.I.V. (Sri Lanka), Chartered Valuer, on the basis of Market Approach and Contractor's method, respectively. The carrying values of the revalued assets and their corresponding values if measured at historical cost, net of depreciation, are as follows:

Property and location	Asset category	Method of valuation	Carrying value of revalued assets if measured at historical cost	Carrying value of revalued assets 2026	Carrying value of revalued assets 2025
Pegasus Reef Hotel, Wattala.	Building	Contractor's method	573,932	1,134,350	1,021,477
	Freehold land	Market approach	5,856	2,046,400	1,381,230
Yasodhara Mawatha, Matagoda, Wattala.	Freehold land	Market approach	13	38,018	38,018
Puwakwatta Road, Matagoda, Wattala.	Freehold land	Market approach	40	119,250	119,250
Beach Road, Palliyawatta, Wattala.	Freehold land	Market approach	15,068	28,700	28,700

17.3 Based on a new survey plan approved by the Urban Development Authority (UDA) in January 2026, it was confirmed that natural coastal accretion has resulted in the reformation of previously eroded land of the Company, measuring 602 perches. The valuation of this reclaimed land has been incorporated into the revaluation of the Company as at 31st March 2026.

As at 31st March	2026	2025
17.4 Analysis of Capital work-in-progress		
Freehold building	11,398	2,204
Equipment	1,955	-
Computer equipment	568	-
Furniture and fittings	5,078	-
	18,999	2,204
17.5 Details of fully depreciated assets in property, plant and equipment		
Building	-	3,356
Plant and machinery	87,658	65,670
Equipment, furniture and fittings	253,502	234,985
Computer equipment	15,256	15,120
Motor vehicle	4,569	4,569
	360,985	323,700

17.6 Capitalisation of borrowing costs into property, plant and equipment

No borrowing costs were capitalised during the year (2025 - Nil) on property, plant and equipment of the Company.

17.7 Restrictions on title of property, plant and equipment

There are no restrictions on titles of the property, plant and equipment held by the Company.

17.8 Property, plant and equipment pledged as security for liabilities

There are no items of property, plant and equipment of the Company pledged as security for liabilities as at the reporting date (2025 - Nil).

17.9 Temporarily idle property, plant and equipment

There are no temporarily idle property, plant or equipment of the Company as at 31st March 2026 and 31st March 2025, except for the Company's bare lands at Beach Road, Palliyawatta, Wattala and Yasodhara Mawatha, Matagoda, Wattala.

17.10 Impairment of property, plant and equipment

The Company has evaluated the potential impairment loss for property, plant and equipment as at the reporting date. Based on this assessment, no impairment provision is required for these assets (2025 - Nil).

For the year ended 31st March	2026	2025
18 COMPENSATION RECEIVABLE		
Balance as at the beginning of the year	**24,759**	24,759
Balance as at the end of the year	**24,759**	24,759

18.1 Acquisition of land by the government of Sri Lanka and compensation receivable

In the financial year 2008/09, the Government of Sri Lanka acquired approximately 1,605 perches of land owned by the Company under section 38 provision (a) of the Land Acquisition Act, No.28 of 1964 by Gazette notification dated 14.05.2008 for the public purpose of building a fisheries harbour. The Company claimed compensation for 1,251 perches amounting to Rs. 563 Mn based on its market value, loss of potential economic value and possible disturbance to the operations of the hotel caused by this proposed fisheries harbour. The carrying value in the books of the Company of the said 1,251 perches at the time of acquisition was Rs. 189.5 Mn. The compensation claim remained pending due to the ongoing litigation which concluded in favour of the Company on 19.02.2026, and the Company has formally requested the Acquiring Authority to process the compensation receivable and is currently awaiting their response.

As per a Supreme Court Order in November 2008, the balance 353.89 perches of land was supposed to be divested back to the Company. However, subsequently in the financial year 2016/2017, the Divisional Secretary stated that 353.89 perches was also required for the said fisheries harbour project and hence requested the Company to submit a further claim of compensation for this land. Accordingly, on 26.10.2017 the Company submitted a further claim for the said 353.89 perches of land amounting to Rs.159.3 Mn on the same valuation basis as per the 1,251 perches of land claimed previously.

On 06.05.2019 the Company received an official notification awarding compensation of Rs. 5,459,500/- relating to the claim of Rs. 159.3 Mn in respect of the said land of 353.89 perches. The Company filed appeal against the said award of compensation at the Land Acquisition Board of Review on 21.05.2019 which inquiry is still ongoing in the Land Acquisition Board of Review.

Based on the award of Rs.5,459,500/- for the land extent of 353.89 perches, the carrying value for the 1,251 perches of Rs.189.5 Mn was impaired to reflect the basis of the award for the 353.89 perches. Accordingly, a provision of Rs.145.2 Mn was made as an impairment on the compensation receivable for the year ended 31.03.2019.

The full compensation claimed for the total extent of land acquired of 1,605 perches stands at Rs.722 Mn, whilst the carrying value of the compensation receivable is Rs. 24.8 Mn subsequent to the provisioning mentioned above.

For the year ended 31st March	2026	2025
19 INVENTORIES		
Food	13,878	8,638
Beverage	5,017	4,895
Engineering spares	10,209	7,050
Linen	5,403	12,457
Others	8,585	5,346
	43,092	38,386

20 DISPOSAL OF EQUITY HOTELS LIMITED

On 28th March 2025, the Company disposed its entire shareholding of 2,173,341 ordinary shares, representing 99.99% stake of Equity Hotels Limited to Lavendish Leisure Hotels and Resorts (Private) Limited ('the Buyer') at a consideration of Rs.243,464,041/-. The Buyer is a non-related party to the Company, as well as to the Carson Cumberbatch PLC Group/ Bukit Darah PLC.

	2025
20.1 Effects of disposal of subsidiary	
Consideration received, net of transaction cost	235,008
Carrying value	(256,842)
Loss from disposal	(21,834)

As at 31st March	2026	2025
21 TRADE AND OTHER RECEIVABLES		
Financial		
Trade receivables (note 21.1)	100,176	110,579
Other receivables	10,854	8,438
	111,030	119,017
Non-financial		
Advances and prepaid expenses	17,002	6,833
	17,002	6,833
	128,032	125,850

	2026	2025
21.1 Trade receivables		
Trade debtors	101,029	111,834
Less: Provision for impairment (note 21.1.1)	(853)	(1,255)
	100,176	110,579

21.1.1 Impairment of trade receivables		
Balance as at the beginning of the year	1,255	1,756
Reversal during the year	(217)	(501)
Write off during the year	(185)	-
Balance as at the end of the year	853	1,255

As at 31st March	2026	2025
22 CASH AND CASH EQUIVALENTS		
Cash in hand	832	1,044
Cash at bank	66,932	233,543
Placements with banking and financial institutions	39,940	14,368
Total cash and cash equivalents for the cash flow statement purpose	107,704	248,955

	As at 31st March	2026 Number of shares	2026 Value of shares in thousands	2025 Number of shares	2025 Value of shares in thousands
23	STATED CAPITAL				
	Issued and fully paid ordinary shares				
	At the beginning of the year	42,210,470	751,549	42,210,470	751,549
	At the end of the year	42,210,470	751,549	42,210,470	751,549

The Stated Capital of the Company as at 31st March 2026 was Rs. 751,548,321/50 consisting of 42,210,470 Ordinary Shares.

The holders of ordinary shares are entitled to receive dividends when declared from time to time. They are entitled to one vote per share on a show of hands by individuals present in person or by proxy at a meeting of shareholders or one vote per share in the case of a poll.

	As at 31st March	2026	2025
24	CAPITAL RESERVES		
	Revaluation reserve (note 24.1)	2,116,054	1,583,788
	Capital accretion reserve (note 24.2)	15,144	15,144
		2,131,198	1,598,932

24.1 Revaluation reserve

The revaluation reserve represents the surplus arising from the revaluation of freehold land and building of the Company net of related deferred taxes. A subsequent decline in the carrying amount of an asset will be offset against the previously increased amount of the same asset which was credited to the revaluation reserve. A decrease arising from a valuation of an asset over and above the revaluation surplus is recognised as an expense in the Statement of Profit or Loss. Accordingly, a subsequent increase in revaluation of an asset relating to a previous decrease in carrying amount, which was recognised as an expense, is credited as an income to the extent it offsets the previously recorded expense in the Statement of Profit or Loss.

24.2 Capital accretion reserve

Capital accretion reserve represents the amount set aside by the Directors to meet any contingencies.

The movement of the above reserves are given in the Statement of Changes in Equity.

	As at 31st March	2026	2025
25	REVENUE RESERVES		
	General reserve (Note 25.1)	176	176
	Accumulated losses	(210,168)	(177,843)
		(209,992)	(177,667)

25.1 General reserve

General reserve represents the amount set aside by the Directors to meet any contingencies.

The movement of the above reserves are given in the Statement of Changes in Equity.

	As at 31st March	2026	2025
26	DEFERRED TAX LIABILITY		
	Balance as at the beginning of the year	616,430	610,414
	Recognised in Statement of Profit or Loss	27,054	7,986
	Recognised in Other Comprehensive Income	228,355	(1,970)
	Total charge for the year (note 26.1)	255,409	6,016
	Balance as at the end of the year	871,839	616,430

	For the year ended 31st March	2026	2025
26.1	**Charge / (reversal) for the year**		
	The amounts recognised in profit or loss:		
	Property, plant and equipment	(4,146)	(8,492)
	Employee benefits	(1,111)	(1,482)
	Tax losses	30,016	18,134
	Unrealised exchange loss / (gains)	2,174	(324)
	Provision for bad debts	121	150
		27,054	7,986
	The amounts recognised in other comprehensive income:		
	Employee benefits	(255)	(1,970)
	Revaluation of property, plant and equipment	228,610	-
		228,355	(1,970)
	Charge for the year	255,409	6,016

	As at 31st March	2026	2025
26.2	Deferred tax assets		
	Tax effect on employee benefits	9,761	8,395
	Tax effect on tax losses	98,974	128,990
	Tax effect on unrealised exchange loss	-	324
	Tax effect on provision for bad debts	256	377
	Total deferred tax assets	108,991	138,086
26.3	Deferred tax liability		
	Tax effect on property, plant and equipment	978,980	754,516
	Tax effect on unrealised exchange gains	1,850	-
	Total deferred tax liability	980,830	754,516
	Net deferred tax liability	871,839	616,430

26.4 Tax on land valuation

As per the Inland Revenue Act No 24 of 2017, applicable from 1st April 2018, any gains from disposal of lands used in the business are liable for taxation under the business income of the entity. Accordingly, the realisation gains shall be the amount by which the sum of the consideration received on the asset that exceeds the acquisition cost and any accumulated allowable costs incurred on improvement thereon at the time of the realisation.

The Company has recognised a revaluation reserve on freehold land amounting to Rs. 2,211,391,000/- as at 31st March 2026, which is considered as the potential gain liable for taxation as of the Balance Sheet date on future realisation. Accordingly, the Company has recognised a deferred tax liability of Rs. 663,417,300/- pertaining to revaluation reserve on freehold lands which is computed at the corporate tax rate of 30%.

26.5 Use of Judgements and Estimates

Deferred tax asset/ Assessment of Recoverability

The Company has determined the recoverability of cumulative tax losses based on six-year business plan and taking into account the timing of expected reversal of the existing taxable temporary differences. Accordingly, the Company recognised deferred tax asset only to the extent of claimable tax losses. Deferred tax is an estimated computation based on the assumptions on available information as at the reporting date. Hence these estimates are subject to change if there are further developments to any information, which the assumptions are based at the time of estimation. Such changes to the estimates will be adjusted during the period the change occurs.

	As at 31st March	2026	2025
27	EMPLOYEE BENEFITS		
27.1	The movement of the liability recognised in the Statement of Financial Position:		
	Balance as at the beginning of the year	27,982	16,476
	Provision for the year (note 27.2)	6,791	10,988
	Transfer in of liability	-	1,033
	Payments made during the year	(2,237)	(515)
	Balance as at the end of the year	32,536	27,982

	For the year ended 31st March	2026	2025
27.2	Provision for the year		
	The amounts recognised in profit or loss:		
	Current service cost	3,002	2,492
	Interest cost	2,938	1,928
		5,940	4,420
	The amount recognised in other comprehensive income:		
	(Gain) / loss from actuarial valuation	851	6,568
		851	6,568
	Provision for the year	6,791	10,988

Employee benefits are estimated based on actuarial valuation carried out by Messrs. Actuarial and Management Consultants (Pvt) Ltd. As recommended by Sri Lanka Accounting Standards (LKAS 19) - "Employee benefits", the "Projected Unit Credit" (PUC) Method has been used in this valuation.

Under the Payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of 5 years of continued service. The obligation is not externally funded.

The principal assumptions used are:

- Rate of discount*	10.25% (2025 - 10.50% p.a.)
- Rate of pay increase**	10% (2025 - 10% p.a.)
- Retirement age	60 years (2025 - 60 years)
- Mortality	A 67/70 mortality table, issued by the Institute of Actuaries, London was used.
- Withdrawal rate	6% for age up to 54 and zero thereafter (2025 - 5% for age up to 54 and zero thereafter)
- The Company is a going concern.	

* The present value of the defined benefit plan is calculated using a discount rate determined by reference to the Treasury bond market rates.

** Salary increment rate of 10% is considered appropriate to be in line with the Company's targeted future salary increments when taking into account the current market conditions and inflation rate.

27.3 Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefits obligation by the amounts shown below:

As at 31st March	2026	2025
1% increase in discount rate	(1,919)	(1,772)
1% decrease in discount rate	2,139	1,988
1% increase in salary escalation rate	2,277	2,331
1% decrease in salary escalation rate	(2,076)	(2,102)

27.4 Maturity analysis of the payment

Within next 12 months	4,101	3,934
Between 1-2 years	2,986	2,283
Between 2-5 years	9,779	7,307
Between 5-10 years	11,010	10,118
Beyond 10 years	4,660	4,340
Total	32,536	27,982
Weighted average duration (years) of defined benefit obligation	6.80	7.34

As at 31st March	2026	2025
28 LOANS AND BORROWINGS		
Non-current liability	146,667	68,948
Current liability	46,668	112,250
	193,335	181,198
28.1 Movement of loans and borrowings		
Balance as at the beginning of the year	181,198	194,468
Loans and borrowings obtained during the year	403,000	233,000
Loans and borrowings repayments during the year	(390,863)	(246,270)
Balance as at the end of the year	193,335	181,198

28.2 Details of borrowings - Unsecured

Bank	Interest rate	Year of maturity	Repayment terms	2026 Face value	2026 Carrying amount	2025 Face value	2025 Carrying amount
Commercial Bank PLC	AWPLR linked	2029	This loan was fully settled in Nov 2025.	-	-	76,500	70,530
Sampath Bank PLC	Fixed rate	2030	Monthly instalments of 4,666,667 x 30 (during months from February to July) + 2,000,000 x 29 (during months from August to January) and a final instalment of Rs. 1,999,990.	200,000	186,667	-	-
Commercial Bank PLC	AWPLR linked	On demand	Short-term loan	-	-	49,000	49,000
Hatton National Bank PLC	Fixed rate	On demand	Short-term loan	-	-	45,000	45,000
Sampath Bank PLC	Fixed rate for 3 years then AWPLR linked	2026	59 equal monthly instalments of Rs. 833,300 from Dec 2021 and a final instalment of Rs. 835,300.	50,000	6,668	50,000	16,668
				250,000	193,335	220,500	181,198

	As at 31st March	2026	2025
29	TRADE AND OTHER PAYABLES		
	Financial		
	Trade payables	137,501	106,639
	Other payables	42,050	29,948
		179,551	136,587
	Non financial		
	Deposits and advances	26,041	18,387
	Provisions and accrued expenses	47,052	47,951
		73,093	66,338
		252,644	202,925

30 FINANCIAL INSTRUMENTS

Overview of the Financial Risk Management

The Company has exposure to the following risks arising from financial instruments:

- Credit risk
- Market risk
- Liquidity risk

This note presents information about the Company's exposure to each of the above risks, the Company's supervision, policies and processes for measuring and managing risk, and the Company's management of capital.

Risk management framework

Board of Directors has the overall responsibility for the establishment and monitoring of the Company's risk management framework. The Board of Directors has delegated this function to the respective members of senior management within the guidelines of benchmark policies, procedures and authority limits clearly laid down; who are responsible for developing and monitoring the Company's risk management policies and reports regularly to the Board of Directors on the progress.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to risk limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management of policies and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Internal Audit undertakes both regular and ad-hoc reviews of controls and procedures, the results of which are reported to the Audit Committee.

30.1 Credit risk

Credit risk is the risk of financial loss to the Company, if a customer or counterparty to a financial instrument fails to meet their contractual obligations, and arises principally from the Company's receivables from customers, and placements in deposits with banking and financial institutions.

The Company closely monitors the credit quality of all its financial assets. Also, the Company is continually evaluating and making necessary decisions on acquiring new investments in line with the changing risk landscape. Special attention has also been paid to recovering trade receivables to minimise defaults.

30.1.1 Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the end of the reporting period was as follows:

As at 31st March	2026	2025
Financial assets at amortized cost		
Compensation receivable (note 18)	24,759	24,759
Investment in fixed deposits	214,150	125,033
Trade and other receivables (note 21)	111,030	119,017
Cash and cash equivalents (note 22)	106,872	247,911
	456,811	516,720

30.1.1 a. Compensation receivable

The Compensation receivable is the amount due to the Company from the Government of Sri Lanka on the 1,605 perches of land acquired to construct a fisheries harbour. The details are explained in Note 18.1. The compensation receivable is recorded in the financial statements at carrying amount less provision for impairment. A time estimation cannot be given for the compensation receivable, as it is subject to the issuance of the compensation award and the determination of any appeal arising there from, including the appeal currently pending before the Land Acquisition Board of Review, as referred to in Note 18.1.

b. Trade and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, the management also considers the demographics of the Company's customer base, including the default risk of the industry in which customers operate, as these factors may have an influence on credit risk.

The Company has established a credit policy under which each new customer is analysed individually for creditworthiness before the standard payment, delivery terms and conditions are offered. Credit limits are established for each customer, which represents the maximum open amount that can be offered without requiring specific approval. These limits are reviewed annually.

In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or a legal entity, whether they are a corporate customer or tour operator, and also evaluate to identify the existence of previous financial difficulties. Trade and other receivables relate mainly to the Company's corporate and tour operator segments. Customers that are graded as 'high risk' are placed on a restricted customer list, monitored and future sales are made on prepayment basis.

An allowance for impairment is made that represents the estimate of expected credit loss in respect of trade and other receivables.

The maximum exposure to credit risk for trade receivables at the end of the reporting period by type of segment was as follows.

As at 31st March	2026	2025
Corporate customers	22,106	9,893
Tour operators	69,615	92,189
Others	9,308	9,752
	101,029	111,834

The aging of trade receivables at the end of the reporting period was as follows,

As at 31st March	2026	2025
1–30 days	36,685	55,056
31–90 days	33,153	43,159
91–120 days	4,583	3,357
121 days above	26,608	10,262
	101,029	111,834

A provision of Rs.0.9 Mn has been made by the Company as impairment of trade receivables as at the year end (2025 - Rs.1.3 Mn).

The Company believes that the unimpaired amounts that are past due by more than 90 days are still collectible in full, based on historic payment behaviour and extensive analysis of the respective customers.

c. Cash and cash equivalents

Cash and cash equivalents of Rs. 106.9 Mn held by the Company as at the reporting date (2025 – Rs. 247.9 Mn) represents their maximum credit exposure on these assets. These are held with bank and financial institutions, which are rated AAA(lka) to BBB-(lka), based on Fitch Ratings.

d. Investment in fixed deposits

Investment in fixed deposits of Rs. 214.2 Mn held by the Company as at the reporting date (2025 – Rs. 125.0 Mn) represents their maximum credit exposure on these assets. These are held with bank and financial institutions, which are rated AA-(lka) to A-(lka), based on Fitch Ratings.

30.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to its reputation.

30.2.1 The following are the remaining contractual maturities of financial liabilities at the end of the reporting period.

31st March 2026	Carrying amount	Contractual cash flows					
		Total	2 months or less	2-12 months	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities							
Trade payables	137,501	137,501	137,501	-	-	-	-
Other payables	42,050	42,050	42,050	-	-	-	-
Loans and borrowings	193,335	236,174	14,101	49,093	52,422	120,558	-
	372,886	415,725	193,652	49,093	52,422	120,558	-

31st March 2025	Carrying amount	Contractual cash flows					
		Total	2 months or less	2-12 months	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities							
Trade payables	106,639	106,639	106,639	-	-	-	-
Other payables	29,948	29,948	29,948	-	-	-	-
Loans and borrowings	181,198	205,019	5,576	117,828	26,561	55,054	-
	317,785	341,606	142,163	117,828	26,561	55,054	-

30.2.2 Management of liquidity risk

The Company's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to its reputation.

The Company maintains a portion of assets in highly liquid form; placements with Banking institutions in order to meet their contractual obligations during the normal course of operations. As at the reporting date, the Company's cash and cash equivalents amounted to Rs. 106.9 Mn (2025 - Rs. 247.9 Mn), and short-term deposits amounted to Rs. 214.2 Mn (2025- Rs. 125.0 Mn).

The Company monitors the level of expected cash inflows on trade and other receivables together with expected cash outflows on trade and other payables. This excludes the potential impact from extreme circumstances that cannot reasonably be predicted, such as natural disasters.

30.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates which will affect the Company's income or the value of its financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

30.3.1 Currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate, due to changes in foreign exchange rates.

The Company engages in transactions associated with foreign currencies in its ordinary course of operations, hence exposed to currency risk.

Across the industry, the hotel rates for foreign tourists are quoted in US Dollar terms and contracted in advance with the tour operators - which constitute a significant volume of business of the Company. A fluctuation in the exchange rates will have an impact over the amounts realised in the local currency. Operations concerned with the local counterparties (corporates and others) do not carry a currency risk exposure, on the basis that those are transacted in Sri Lanka Rupee terms.

The Company reviews fluctuations in foreign exchange rates and takes precautionary measures to revise its rate quotes on a regular basis, in an attempt to mitigate the exposure to currency risk arising from its transactions, if required.

Exposure to currency risk

The summary of quantitative data about the Company's exposure to currency risk is as follows:

As at 31st March	2026	2025
Net statement of financial position exposure		
Cash and cash equivalents		
USD	90,667	23,796
EUR	1,794	11,919
GBP	1,635	1,051
Fixed deposits		
USD	135,928	427,718
EUR	-	7,285

The following year-end spot exchange rates have been applied:

As at 31st March	2026	2025
USD 1	312.35	292.35
EUR 1	356.26	313.74
GBP 1	410.62	377.18

Foreign currency sensitivity

The following table demonstrate the sensitivity to a reasonably possible change in the US Dollars (USD), Sterling Pound (GBP) and Euro (EUR) exchange rate, with all other variables held constant

Increase/(decrease) in profit/loss	2026	2025
USD strengthened by 1%	709	1,328
USD weakened by 1%	(709)	(1,328)
EUR strengthened by 1%	6	60
EUR weakened by 1%	(6)	(60)
GBP strengthened by 1%	7	4
GBP weakened by 1%	(7)	(4)

Increase/(decrease) in equity, net of tax	2026	2025
USD strengthened by 1%	496	930
USD weakened by 1%	(496)	(930)
EUR strengthened by 1%	4	42
EUR weakened by 1%	(4)	(42)
GBP strengthened by 1%	5	3
GBP weakened by 1%	(5)	(3)

30.3.2 Interest rate risk

Interest rate risk is the risk of fluctuation of the value or cash flows of an instrument due to changes in the market interest rates.

The Company has borrowings with variable interest rates (AWPLR) and would expose its cash flow/ profits as the amount of interest paid / changed would depend on market interest rates.

Profile

At the end of the reporting period the interest rate profile of the interest-bearing financial instruments was as follows.

As at 31st March		2026	2025
Variable rate instruments			
Financial assets	- Cash at Bank	66,932	233,543
Financial liabilities	- Loans and borrowings	(6,668)	(136,198)
		60,264	97,345
Fixed rate instruments			
Financial assets	- Investment in fixed deposits	254,090	139,401
Financial liabilities	- Loans and borrowings	(186,667)	(45,000)
		67,423	94,401
		127,687	191,746

Cash flow sensitivity analysis for variable rate instruments.

A change of 1% in interest rates at the end of the reporting period would have increased / (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables remained constant.

	Profit / (loss)	
	Increase by 1%	Decrease by 1%
As at 31st March 2026		
Variable rate instruments	603	(603)
As at 31st March 2025		
Variable rate instruments	973	(973)

30.4 Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong financial position and healthy capital ratios in order to support its business and maximise shareholder value.

The Company manages its capital structure, and makes adjustments to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, the Company may issue new shares, conduct rights issues or buy back of shares.

As at 31st March	2026	2025
Loans and borrowings	193,335	181,198
Total equity	2,672,755	2,172,814
Debt/ equity (%)	7.23	8.34

30.5 Accounting classifications and fair values

Financial instruments are measured either at fair value or amortised cost. Accounting policies in notes to the financial statements describe how the classes of financial instruments are measured, and how the relevant income and expenses, including fair value gains and losses, are recognised. The following table analyses the fair value of financial instruments together with the carrying amounts shown in the statement of financial position. The carrying amount of following financial instrument are a reasonable approximation of fair value.

30.6 Fair value vs carrying amounts

As at 31st March 2026	Mandatory FVTPL and other	Financial assets at amortised cost	Other financial liabilities	Total carrying amount	Fair value
Compensation receivable	-	24,759	-	24,759	24,759
Investment in fixed deposits	-	214,150	-	214,150	214,150
Trade and other receivables	-	111,030	-	111,030	111,030
Cash and cash equivalents	-	107,704	-	107,704	107,704
	-	457,643	-	457,643	457,643
Loans and borrowings	-	-	193,335	193,335	193,335
Trade and other payables	-	-	179,551	179,551	179,551
	-	-	372,886	372,886	372,886

As at 31st March 2025	Mandatory FVTPL and other	Financial assets at amortised cost	Other financial liabilities	Total carrying amount	Fair value
Compensation receivable	-	24,759	-	24,759	24,759
Investment in fixed deposits	-	125,033	-	125,033	125,033
Trade and other receivables	-	119,017	-	119,017	119,017
Cash and cash equivalents	-	248,955	-	248,955	248,955
	-	517,764	-	517,764	517,764
Loans and borrowings	-	-	181,198	181,198	181,198
Trade and other payables	-	-	136,587	136,587	136,587
	-	-	317,785	317,785	317,785

30.7 Fair value hierarchy

The table below analyses assets carried at fair value, by the levels in the fair value hierarchy. The different levels have been defined as follows.

Level 1: Availability of quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Use of inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Use of inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3	Total
31st March 2026				
Property, plant and equipment - Land and Buildings	-	-	3,366,718	3,366,718
	-	-	3,366,718	3,366,718
31st March 2025				
Property, plant and equipment - Land and Buildings	-	-	2,588,675	2,588,675
	-	-	2,588,675	2,588,675

There were no transfers between Level 1, Level 2 and Level 3 during the financial period under review (2025 - Nil.)

Measurement of fair values

Valuation techniques and significant unobservable inputs

The following table depicts the valuation techniques used in measuring level 3 fair values, as well as the significant unobservable inputs used.

The fair value of property was determined by an external independent property valuer with appropriate and recognised professional qualifications and recent experience in the location and category of the properties being valued.

The fair value measurements of all the properties have been categorised as Level 3 fair value, based on the input to the valuation technique used.

Significant unobservable inputs presented below are based on the independent professional valuation performed as at 31st March 2026.

Property	Location	Valuation technique	Significant Unobservable Inputs	Interrelationship between Key Unobservable Inputs and Fair Value Measurements
Lands				
• Pegasus Reef Hotel • Yasodhara Mawatha, Matagoda • Puwakwatta Road, Matagoda • Beach Road, Palliyawatta	Wattala	**Market approach** This method considers the selling price of a similar property within a reasonably recent period of time in determining the fair value of property being revalued. This involves evaluation of recent active market prices of similar assets making appropriate adjustments for difference in size, nature and location of the property.	Market value of land (Price per Perch). Valuer has used a range of prices for respective lands based on their recently transacted values. Current market conditions and the comparable property prices have been used for the valuation. Market price per perch range: Rs. 750,000/- to Rs. 1,500,000/-.	The estimated fair value would increase/ (decrease) if – Market value per perch was higher/(lower)
Buildings				
Pegasus Reef Hotel	Wattala	**Contractor's method:** The contractor's method works on the basis that a property's value can be equated to its cost. Valuer assesses the cost of the building if it would have constructed in the current year, and deduct margin for usage of the property-based on the respective year of construction.	Construction cost per square feet of a building: Rs. 6,750/- to Rs. 21,250/-.	Cost per square feet was higher/ (lower)
			Depreciation rate for the usage of assets: 52.5%.	Depreciation rate for usage lower/ (higher)

Sensitivity Analysis

Significant judgment is required to determine the inputs when evaluating the fair value of land and buildings. Possible reasonable changes at the reporting date to one of the relevant assumptions, holding other assumptions constant, would have affected the fair value of the properties as shown below.

Sensitivity analysis presented below is based on the independent professional valuation performed as at 31st March 2026.

	Increase	Decrease
Price per Perch - Rs. 10,000/- movement	25,664	(25,664)
Construction cost per square feet - Rs. 1,000/- movement	62,836	(62,836)
Depreciation rate - 5% movement	(119,405)	119,405

31 COMMITMENTS AND CONTINGENCIES

31.1 Capital commitments

The Company do not have significant capital commitments as at the reporting date, other than capital commitments for development/ refurbishment projects amounting to Rs. 13,364,683/-. (2025- Nil).

31.2 Financial commitments

The Company does not have significant financial commitments as at the reporting date (2025 - Nil).

31.3 Contingent liabilities

The Company does not have significant contingent liabilities other than a letter of guarantee obtained from bank for utilities amounted to Rs.330,000/- (2025: Rs.330,000/-).

32 RELATED PARTY TRANSACTIONS

The Company carries out transactions in the ordinary course of its business on an arm's length basis with parties who are defined as related parties in Sri Lanka Accounting Standard (LKAS 24) - "Related party disclosures ", the details of which are reported below.

32.1 Parent and ultimate controlling entity

Carson Cumberbatch PLC is the parent company of Pegasus Hotels of Ceylon PLC and Bukit Darah PLC is the ultimate parent and controlling entity of Pegasus Hotels of Ceylon PLC.

32.2 Transactions with Key Management Personnel (KMP)

According to Sri Lanka Accounting Standard (LKAS 24) - "Related party disclosures", Key Management Personnel (KMP) are those having authority and responsibility for planning and controlling the activities of the entity directly or indirectly, including any director (whether executive or otherwise) of the entity. Accordingly, the Directors of the Company have been classified as KMP of the Company.

	For the year ended 31st March	2026	2025
32.2.1	Key management personnel compensation		
	Short-term employee benefits	4,617	3,317
	Post-employment benefits	-	-
	Termination benefits	-	-
	Non-cash benefits	-	-
	Other long-term benefits	-	-
		4,617	3,317

No other transactions have taken place during the year, except as disclosed above, between the Company and its KMP.

32.3 Transactions with Related Companies

Name and the nature of the relationship	Nature of transactions	Value of the transaction 2026	2025
Fellow subsidiaries			
Carsons Management Services (Private) Limited (CMSL)	Support service fees incurred	10,029	9,039
Lion Brewery (Ceylon) PLC	Providing hotel services	5,605	9,759
	Beer purchases	6,637	6,785
Luxury Brands (Private) Limited	Spirits purchases	3,317	3,369

Support service fees are based on the respective services provided by CMSL as per the agreements signed between the companies.

The Company has obtained letters of comfort from its parent company, Carson Cumberbatch PLC for the bank facilities as follows:

Related Facility	Value 2026	2025
Commercial Bank- Term Loan	-	76,500
Commercial Bank- STL	50,000	50,000
Hatton National Bank- STL	50,000	50,000
	100,000	176,500

33 COMPARATIVE FIGURES

Previous period's figures and phrases have been re-arranged wherever necessary to conform to the current period's presentation.

34 GOING CONCERN ASSESSMENT

For the year ended 31st March 2026, the Company incurred a net loss of Rs 33.0 Mn (2025 – Rs. 51.3 Mn), resulting in accumulated losses of Rs 210.2 Mn (2025 – Rs 177.8 Mn). Nevertheless, the Company's financial position remained strong, with net assets of Rs 2,672.8 Mn (2025 – Rs. 2,172.8 Mn) and net current assets of Rs 196.7 Mn (2025 – Rs. 224.8 Mn) as at the reporting date. Further, cash and cash equivalents along with fixed deposits amounted to Rs 321.9 Mn as at the reporting date, mainly due to improved operational results during the year and proceeds from disposal of its subsidiary, Equity Hotels Limited in March 2025. Following a comprehensive review of revenue projections, profitability forecasts, and cash flow outlook, the Board of Directors remains confident in the Company's ability to meet its obligations as they become due.

Consequently, the financial statements have been prepared on the basis of a going concern. The Board further affirms that there are no plans to liquidate the Company or cease operations in the foreseeable future.

35 DIRECTORS' RESPONSIBILITY

The Board of Directors is responsible for the preparation and presentation of the financial statements. This is more fully described under the relevant clause in the Directors' Report.

36 EVENTS AFTER THE REPORTING PERIOD

Subsequent to the reporting period, no circumstances have arisen which would require adjustments to or disclosures in the financial statements.

FIVE YEAR SUMMARY

(All figures in Sri Lankan Rupees thousands)

	Company	Group			
For the year ended	**2026**	**2025**	**2024**	**2023**	**2022**
Trading Results					
Revenue	985,891	1,138,311	927,369	719,766	386,075
Profit / (loss) from operations	(18,048)	(34,577)	(74,391)	(138,557)	(142,413)
Net finance income / (cost)	12,077	(13,482)	(37,297)	(25,359)	(6,525)
Profit / (loss) before taxation	(5,971)	(41,415)	(111,688)	(163,916)	(214,453)
Income tax and deferred taxation	(27,054)	(4,890)	12,168	72,764	20,823
Profit / (loss) for the year	(33,025)	(46,305)	(99,520)	(91,152)	(193,630)
Other comprehensive income / (expense) for the year	532,827	(3,102)	315,829	(328,499)	407,903
Total comprehensive income / (expense) for the year	499,802	(49,407)	216,309	(419,651)	214,273

	Company		Group		
For the year ended / As at 31st March	**2026**	**2025**	**2024**	**2023**	**2022**
Shareholders' Funds					
Stated capital	751,549	751,549	751,549	591,149	515,170
Reserves	1,921,206	1,421,265	1,470,562	1,256,761	1,680,951
Shareholders' funds	2,672,755	2,172,814	2,222,111	1,847,910	2,196,121
Assets Employed					
Property, plant and equipment	3,502,339	2,636,579	3,017,378	2,619,599	2,699,883
Right-of-use assets	-	-	6,640	6,898	5,624
Intangible assets	-	-	336	672	1,008
Compensation receivable	24,759	24,759	24,759	24,759	24,759
Non current assets	3,527,098	2,661,338	3,049,113	2,651,928	2,731,274
Current assets	496,011	540,011	308,541	170,275	211,140
Current liabilities	(299,312)	(315,175)	(338,674)	(220,576)	(276,831)
Working capital	196,699	224,836	(30,133)	(50,301)	(65,691)
Assets employed	3,723,797	2,886,174	3,018,980	2,601,627	2,665,583
Non-current liabilities					
Loans and borrowings	(146,667)	(68,948)	(114,521)	(203,926)	(176,982)
Lease liability	-	-	(11,163)	(10,966)	(9,505)
Deferred tax liability	(871,839)	(616,430)	(648,819)	(525,632)	(267,246)
Employee benefits	(32,536)	(27,982)	(22,366)	(13,193)	(15,729)
Total non-current liabilities	(1,051,042)	(713,360)	(796,869)	(753,717)	(469,462)
Net assets	2,672,755	2,172,814	2,222,111	1,847,910	2,196,121

* On 28th March 2025, the Company disposed its entire shareholding of its subsidiary, Equity Hotels Limited to a non related party.

FIVE YEAR SUMMARY

(All figures in Sri Lankan Rupees thousands)

	Company		Group		
For the year ended / As at 31st March	**2026**	**2025**	**2024**	**2023**	**2022**
Cash Flow Statement					
Net cash inflows / (outflows) from;					
Operating activities	97,544	44,127	(7,665)	(30,745)	(53,980)
Investing activities	(239,042)	179,060	(59,450)	22,279	81,065
Financing activities	(5,920)	(32,555)	91,837	(25,368)	42,086
Net increase / (decrease) in cash and cash equivalents	(147,418)	190,632	24,722	(33,834)	69,171
Capital expenditure	170,008	28,555	17,533	8,375	25,363
Profitability Ratios					
Net profit / (loss) margin (%)	(3)	(5)	(11)	(13)	(50)
Return on shareholders' funds (%)**	(1)	(2)	(4)	(5)	(9)
Liquidity Ratios					
Current ratio (times)	1.66	1.71	0.91	0.77	0.76
Debt equity (%)	7.23	8.34	10.04	13.41	13.95
Investor Ratios					
Earnings / (loss) per share (Rs.)	(0.78)	(1.22)	(2.58)	(2.82)	(6.37)
Dividend per share (Rs.)	-	-	-	-	-
Net assets per share (Rs.)	63.32	51.48	52.64	54.72	72.26
Market price per share (Rs.)	38.90	34.50	23.00	34.30	34.00
Dividend yield (%)	-	-	-	-	-
Dividend payout (%)	-	-	-	-	-
Hotel Operations					
Average occupancy (%)	61	63	47	29	32

Notes

* On 28th March 2025, the Company disposed its entire shareholding of its subsidiary, Equity Hotels Limited to a non related party.

** Profit attributable to shareholders of the Company divided by shareholders' funds

STATEMENT OF VALUE ADDED

(All figures in Sri Lankan Rupees thousands)

For the year ended 31st March	2026	%	2025	%
Revenue	985,891		968,685	
Other income including finance income	37,559		14,936	
Cost of materials and services bought from outside	(641,003)		(689,010)	
Total value added	382,447		294,611	
Distributed as follows:				
To employees				
as remuneration	309,472	81	255,296	87
To government				
as taxation*	-	-	-	-
To providers of capital				
as interest and other charges	17,865	5	19,880	7
Retained in the business				
as deferred taxation	27,054	7	7,986	3
as depreciation	61,081	16	62,738	21
as profit / (loss) for the year	(33,025)	(9)	(51,289)	(18)
Total value added	382,447	100	294,611	100

The Statement of value added shows the quantum of wealth generated by the activities of the Company and its applications.

The total tax expense to the government for the year included the following:

For the year ended 31st March	2026	2025
Income tax	-	-
Value Added Tax (VAT)	127,479	138,867
Social Security Contribution Levy (SSCL)	25,955	25,755
Tourism Development Levy (TDL)	10,318	10,122
	163,752	174,744

INFORMATION TO SHAREHOLDERS AND INVESTORS

1 STOCK EXCHANGE LISTING

Pegasus Hotels of Ceylon PLC is a public quoted company, the ordinary shares of which are listed on the Diri Savi Board of the Colombo Stock Exchange.

The Stock Exchange code for Pegasus Hotels of Ceylon PLC shares is "PEG".

2 ORDINARY SHAREHOLDERS

As at 31st March	2026	2025
Number of Shareholders	2,915	2,989

3 FREQUENCY DISTRIBUTION OF SHAREHOLDINGS AS AT 31ST MARCH 2026

	Residents			Non-Residents			Total		
Distribution of Shares	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%
1-1,000	2,587	304,333	0.72	18	3,500	0.01	2,605	307,833	0.73
1001-10,000	245	787,360	1.87	2	6,236	0.01	247	793,596	1.88
10,001-100,000	57	1,467,384	3.48	1	55,000	0.13	58	1,522,384	3.61
100,001-1,000,000	4	1,604,040	3.80	-	-	-	4	1,604,040	3.80
Above 1,000,000	1	37,982,617	89.98	-	-	-	1	37,982,617	89.98
Grand Total	2,894	42,145,734	99.85	21	64,736	0.15	2,915	42,210,470	100.00

4 CATEGORIES OF SHAREHOLDERS AS AT 31ST MARCH 2026

	No. of Shareholders	No. of Shares	%
Individual	2,838	3,194,976	7.57
Institutions	77	39,015,494	92.43
Total	2,915	42,210,470	100.00

5

The number of shares held by non-residents as at 31st March 2026 was 64,736 (2025 - 74,026) which amounts to 0.15% (2025 - 0.18%) of the total number of shares in issue.

6 PUBLIC HOLDING

The Company is in compliance with the Minimum Public Holding requirements for Companies listed on the Diri Savi Board as per Rule 7.13.1 (i) (b) of the Listing Rules of the Colombo Stock Exchange, under Option 2, i.e. Float-Adjusted Market Capitalization of less than Rs.1 Billion with 200 Public Shareholders and a Public Holding percentage of 10%.

The Company's Public Holding as at 31st March 2026

Float adjusted Market Capitalisation	Rs. 164,527,125.76
Percentage of ordinary shares held by the public	10.02%
Number of Public Shareholders	2,913

7 DIVIDENDS

There were no distributions made during the financial year.

8 MARKET PERFORMANCE - ORDINARY SHARES

For the year ended 31st March	2026	2025
Last traded price (Rs.)	38.40	34.50
Highest (Rs.)	51.90	44.90
Lowest (Rs.)	30.10	23.00
Value of shares traded (Rs.)	116,388,096	134,908,182
No. of shares traded	2,756,349	4,037,685
Volume of transactions (Nos.)	4,776	5,608

9. MARKET CAPITALISATION

Market capitalisation of the Company which is the number of ordinary shares in issue multiplied by the market value of an ordinary share was Rs. 1,641,987,283/- as at 31st March 2026 (2025 - Rs. 1,456,261,215/-).

10. VALUE OF THE PROPERTIES - LAND AND BUILDING

Location	2026 Land extent	2026 Number of Buildings	Market value 2026 Rs. '000	Date of professional valuation
Pegasus Reef Hotel, Wattala	15 Acres, and 7.53 Perches	1	3,180,750	31st March 2026
Yasodhara Mawatha, Matagoda, Wattala	1 Rood, and 10.69 Perches	0	38,018	31st March 2026
Puwakwatta Road, Matagoda, Wattala	1 Rood, and 39.50 Perches	0	119,250	31st March 2026
Beach Road, Palliyawatta, Wattala	28.70 Perches	0	28,700	31st March 2026

11. NUMBER OF EMPLOYEES

The number of employees of the Company as at the end of the year was 217 (2025 - 219).

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the 60th Annual General Meeting of **PEGASUS HOTELS OF CEYLON PLC** will be held on **Wednesday, 22nd July 2026 at 9.30 a.m.** at the Auditorium, Ground Floor, The Ceylon Chamber of Commerce, No.50, Nawam Mawatha, Colombo 2, Sri Lanka for the following purposes:

1. To consider the Annual Report of the Board of Directors including the Financial Statements of the Company for the financial year ended 31st March 2026, together with the report of the Auditors thereon.
2. To re-elect as a Director Mr. G.C. Jayaweera, who has been appointed to the Board as an Independent Non-Executive Director since the last Annual General Meeting, in terms of Article 68 of the Articles of Association of the Company.
3. To re-elect Mr. K. Selvanathan - Non-Executive Director, who retires by rotation in terms of Articles 72, 73 and 74 of the Articles of Association of the Company.
4. To re-elect Mr. M.T.L. Elias - Independent Non-Executive Director, who retires by rotation in terms of Articles 72,73 and 74 of the Articles of Association of the Company.
5. To re-appoint Mr. M. Dayananda - Non-Executive Director, as a Director of the Company who is over seventy years of age and to consider and if deemed fit to pass the following resolution:

   "IT IS HEREBY RESOLVED that the age limit stipulated in Section 210 of the Companies Act, No. 07 of 2007 shall not be applicable to Mr. M. Dayananda who is 80 years of age and that he be re-appointed as a Director of the Company until the next Annual General Meeting of the Company."
6. To re-appoint Messrs. KPMG, Chartered Accountants as Auditors of the Company as set out in Section 154 (1) of the Companies Act, No. 07 of 2007 and to authorise the Directors to determine their remuneration.
7. To consider and if deemed fit to pass the following Special Resolution;

   "IT IS HEREBY RESOLVED that in pursuance of the powers vested to the Shareholders by virtue of Article 88(1)(i) of the Articles of Association of the Company, the land located at No. 242 A, Beach Road, Palliyawatte, Wattala with an extent of Twenty Eight Decimal Seven Perches [28.7 Perches] [Lot 1A in Survey Plan No. 5715 dated 06th May 2016 made by T.D.K.R.P. Pathegama, Licensed Surveyor] and owned by the Company, be sold to a potential buyer to be sourced by the Company, who shall be a non-related party, for a consideration of not less than Rupees One Million (Rs. 1,000,000/-) per perch and, as the sale of the said land constitutes a sale of an immovable property of the Company, other than in the ordinary course of business.

   IT IS FURTHER RESOLVED that the Directors of the Company be and are hereby authorized to do all such acts and things as may be expeditious or necessary to enable the transaction, including execution of documents as may be required in connection with the sale of the said land."

By Order of the Board

(Sgd.)
Natasha Selvaratnam
President - Group Company Secretarial
Carsons Management Services (Private) Limited
Secretaries

Colombo
26th June 2026

NOTES:

1. The Annual Report 2025/2026 and the Notice convening the Annual General Meeting (AGM) will be made available on the Colombo Stock Exchange website www.cse.lk and on the Group's website www.carsoncumberbatch.com

2. A member is entitled to appoint a proxy to attend and vote instead of him/herself. A proxy need not be a member of the Company. A Form of Proxy accompanies this Notice.

3. The completed **Form of Proxy** must be submitted to the Company not later than 4.45 p.m. on 20th July 2026,

   - via email to **PEGAGM2026@carcumb.com,** or
   - via WhatsApp to mobile no. +94 764 765 463 or +94 767 410 683, or
   - by hand or post to the registered office of the Company, No. 61, Janadhipathi Mawatha, Colombo 1.

4. A person representing a Corporation is required to submit a certified copy of the resolution authorising him/her to act as the representative of the Corporation. A representative need not be a member.

5. The transfer books of the Company will remain open.

6. Security Check -
   We shall be obliged if the shareholder/proxies attending the Annual General Meeting produce their National Identity Card to the security personnel stationed at the entrance lobby.

NOTES

FORM OF PROXY

*I/We .....

.....of .....being

*a Shareholder/Shareholders of **PEGASUS HOTELS OF CEYLON PLC** hereby appoint .....

..... of .....bearing

NIC No./Passport No. ..... or failing him/her,

Mahendra Dayananda	or failing him,
Krishna Selvanathan	or failing him,
Michael Timothy Leon Elias	or failing him,
Sivanandan Marimuthu	or failing him,
Dilkushan Ranil Pieris Goonetilleke	or failing him,
Amitha Saktha Amaratunga	or failing him,
Gihan Chinthaka Jayaweera	or failing him,
Vibath Roshan Wijesinghe	

as *my/our proxy to attend at the 60th Annual General Meeting of the **PEGASUS HOTELS OF CEYLON PLC** to be held on **Wednesday, 22nd July 2026 at 9.30 a.m., at the Auditorium, Ground Floor, The Ceylon Chamber of Commerce, No.50, Nawam Mawatha, Colombo 2, Sri Lanka** and at any adjournment thereof and at every poll which may be taken in consequence thereof.

		For	Against
1	To re-elect Mr. G.C. Jayaweera who has been appointed to the Board as an Independent Non-Executive Director since the last Annual General Meeting, in terms of Article 68 of the Articles of Association of the Company.	☐	☐
2.	To re-elect Mr. K. Selvanathan – Non-Executive Director, who retires by rotation in terms of Articles 72, 73 and 74 of the Articles of Association of the Company.	☐	☐
3.	To re-elect Mr. M.T.L. Elias - Independent Non-Executive Director, who retires by rotation in terms of Articles 72,73 and 74 of the Articles of Association of the Company.	☐	☐
4.	To re-appoint Mr. M. Dayananda - Non-Executive Director, who is over seventy years of age as a Director of the Company.	☐	☐
5.	To re-appoint Messrs. KPMG, Chartered Accountants as Auditors of the Company as set out in Section 154 (1) of the Companies Act, No.07 of 2007 and to authorise the Directors to determine their remuneration.	☐	☐
6.	To pass the Special Resolution as set out in the notice convening the aforesaid Meeting.	☐	☐

Signed this.....day of ..... Two Thousand and Twenty Six.

.....
Signature /s

Notes:

1. * Please delete the inappropriate words.
2. A shareholder entitled to attend and vote at a General Meeting of the Company, is entitled to appoint a proxy to attend and vote instead of him/her and the proxy need not be a Shareholder of the Company. A proxy so appointed shall have the right to vote on a show of hands or on a poll and to speak at the General Meeting of the Shareholders.
3. A Shareholder is not entitled to appoint more than one proxy to attend on the same occasion.
4. Instructions are noted on the reverse hereof.

FORM OF PROXY

INSTRUCTIONS AS TO COMPLETION

1. Kindly perfect the form of proxy after filling in legibly your full name and address, and sign in the space provided. Please fill in the date of signature.
2. If you wish to appoint a person other than the Directors as your proxy, please insert the relevant details in the space provided overleaf.
3. In terms of Article 54 of the Articles of Association of the Company:

   (i) Any Shareholder entitled to attend and vote at a meeting shall be entitled to appoint another person (whether a Shareholder or not) as his proxy to attend and vote instead of him. A proxy so appointed shall have the same right as the Shareholder to vote on a show of hands or on a poll and to speak at the meeting.

   (ii) The instrument appointing a proxy shall be in writing and:

   (a) in the case of an individual shall be signed by the appointor or by his attorney;

   and

   (b) in the case of a Corporation shall be either under its common seal or signed by its attorney or by an authorized officer on behalf of the Corporation.

   The Company may, but shall not be bound to, require evidence of the authority of any such attorney or officer. A proxy need not be a shareholder of the Company.

   (iii) An instrument appointing a proxy or the power of attorney or other authority, if any, must be left or received at the Office or such other place (if any) as is specified for the purpose in the notice convening the meeting not less than forty eight (48) hours before the time appointed for the holding of the meeting or adjourned meeting (or in the case of a poll before the time appointed for the taking of the poll) at which it is to be used and in default shall not be treated as valid unless the Directors otherwise determine.
4. In terms of Article 50 of the Articles of Association of the Company:

   Where there are joint holders of any Share any one (01) of such persons may vote and be reckoned in a quorum at any meeting either personally or by proxy as if he were solely entitled thereto and if more than one (01) of such joint holders be so present at any meeting one (01) of such persons so present whose name stands first in the Register in respect of such Share shall alone be entitled to vote in respect thereof. Several executors or administrators of a deceased Shareholder in whose name any share stands shall for the purpose of this Article be deemed joint holders thereof.
5. To be valid the completed Form of Proxy should be submitted to the Company not later than 4.45 p.m. on 20th July 2026,
   - via email to PEGAGM2026@carcumb.com, or
   - via WhatsApp to mobile no. +94 764 765 463 or +94 767 410 683, or
   - by hand or post to the registered office of the Company, No. 61, Janadhipathi Mawatha, Colombo 1.
6. Shareholders could also appoint a member of the Board to act as their proxy if they so choose. The Shareholders who wish to appoint a Director as his/her/its proxy must forward the duly completed Form of Proxy clearly indicating their vote under each matter set out in the **Form of Proxy** and forward same to the Company.

Please fill in the following details:

Name & Contact No. of Shareholder : .....

CDS Account No. / Folio No. : .....

Name & Contact No. of Proxyholder : .....

NIC No. of the Proxyholder : .....

CORPORATE INFORMATION

NAME OF THE COMPANY

Pegasus Hotels of Ceylon PLC
(A Carson Cumberbatch Company)

COMPANY REGISTRATION NUMBER

PQ 40

LEGAL FORM

A Public Quoted Company with Limited Liability incorporated in Sri Lanka in 1966

PARENT COMPANY AND CONTROLLING ENTITY

Carson Cumberbatch PLC is the Parent Company of Pegasus Hotels of Ceylon PLC and Bukit Darah PLC is the Ultimate Parent and Controlling Entity of Pegasus Hotels of Ceylon PLC.

DIRECTORS

Mr. M. Dayananda (Chairman) - Non-Executive
Mr. K. Selvanathan - Non-Executive
Mr. M. T. L. Elias - Independent Non-Executive
Mr. S. Marimuthu - Independent Non-Executive
Mr. D. R. P. Goonetilleke - Non-Executive
Mr. A. S. Amaratunga - Independent Non-Executive
Mr. V. R. Wijesinghe - Executive
Mr. G.C. Jayaweera - Independent Non-Executive
(Appointed w.e.f.10th February 2026)

AUDIT COMMITTEE

Mr. A. S. Amaratunga (Chairman) - Independent Non-Executive
Mr. S. Marimuthu - Independent Non-Executive
Mr. D. R. P. Goonetilleke - Non-Executive
Mr. G.C. Jayaweera - Independent Non-Executive
(Appointed w.e.f. 10th February 2026)

REMUNERATION COMMITTEE

Mr. M. T. L. Elias (Chairman) - Independent Non-Executive
Mr. S. Marimuthu - Independent Non-Executive
Mr. D. R. P. Goonetilleke - Non-Executive

NOMINATIONS AND GOVERNANCE COMMITTEE

Mr. S. Marimuthu (Chairman) - Independent Non-Executive
Mr. M.T.L. Elias - Independent Non-Executive
Mr. M. Dayananda - Non-Executive

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

Mr. A. S. Amaratunga (Chairman) - Independent Non-Executive
Mr. S. Marimuthu - Independent Non-Executive
Mr. D. R. P. Goonetilleke - Non-Executive
Mr. G.C. Jayaweera - Independent Non-Executive
(Appointed w.e.f. 10th February 2026)

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BANKERS

Commercial Bank of Ceylon PLC
Standard Chartered Bank
Sampath Bank PLC
People's Bank
Hatton National Bank PLC
DFCC Bank PLC
National Development Bank PLC
SBI Sri Lanka

AUDITORS

Messrs. KPMG
Chartered Accountants
No.32A, Sir Mohamed Macan Marker Mawatha,
Colombo 03, Sri Lanka.
Tel: +94 11 5426 426

MANAGERS & SECRETARIES

Carsons Management Services (Private) Limited
61, Janadhipathi Mawatha,
Colombo 01, Sri Lanka.
Tel : +94 11 2039 200

REGISTERED OFFICE

61, Janadhipathi Mawatha, Colombo 01, Sri Lanka.
Tel : +94 11 2039 200

COMMITTEE OF MANAGEMENT

Mr. Renuke Coswatte - General Manager
Mr. Kapila Gunathilaka - Chief Operations Officer / Chief Finance Officer
Mr. Chaminda Perera – Senior Manager – Business Development
Mr. Anthony Fernando – Front Office Manager
Mr. Desmond Bernardus - Executive Housekeeper
Mr. Charith Ranasinghe - Food & Beverage Manager
Mr. Malith Bandara - Chief Engineer
Mr. Aslam Khair - Manager - Human Resources
Mr. Nalin Nanayakkara - Executive Chef

PLACE OF BUSINESS

Santha Maria Mawatha, Wattala, Sri Lanka.
Tel : +94 112 049 600

HOTEL WEBSITE

www.pegasusreefhotel.com

CORPORATE WEBSITE

www.carsoncumberbatch.com



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