The Kandy Hotels Co. (1938) PLC

Annual Report 2024/25

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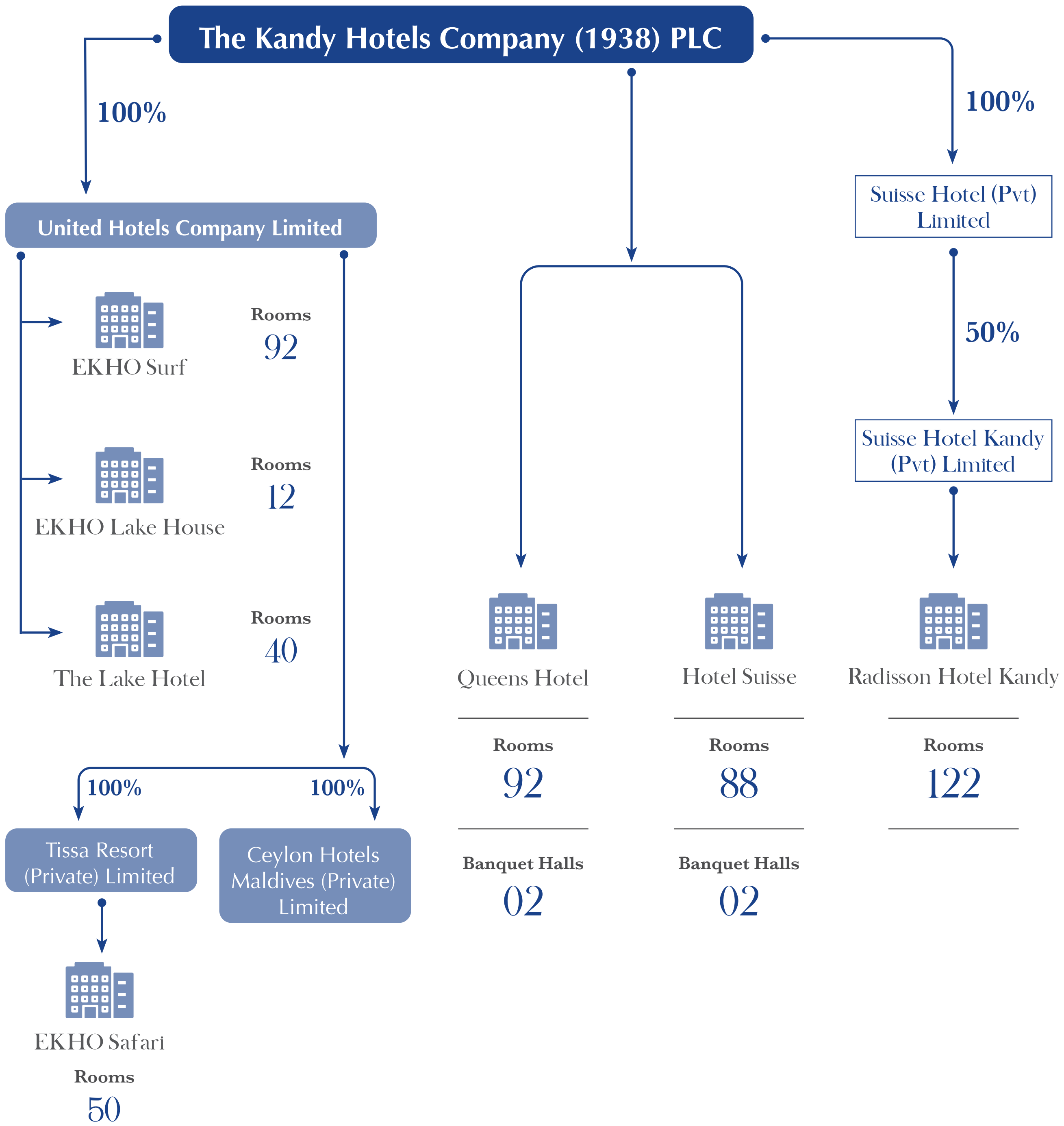
GROUP STRUCTURE



GROUP FINANCIAL HIGHLIGHTS

Performance for the year ended 31 March		2025 Rs.	2024 Rs.	Change
Revenue	Rs. 000	1,506,060	1,223,258	23%
Earnings before Interests, Depreciation & Amortization (EBITDA)	Rs. 000	275,422	157,975	74%
Profit/ (loss) before tax(PBT)	Rs. 000	52,315	(100,396)	152%
Profit/ (loss) after tax(PAT)	Rs. 000	111,886	(119,856)	193%
Earnings /(loss) per Share	Rs.	0.15	(0.17)	187%
Price Earnings Ratio	Times	77.2	(47.5)	262%
Financial Position as at 31 March				
Total Assets	Rs. 000	14,701,570	13,284,556	11%
Total Debt	Rs. 000	1,412,402	1,580,925	-11%
Total Equity	Rs. 000	10,063,409	9,083,468	11%
No. of Ordinary Shares Issued	No	754,309,253	754,309,253	0%
No of Public Share Holding	No	120,469,503	120,290,003	0%
Net Assets per Ordinary Share	Rs.	13.34	12.04	11%
Debt/ Equity Ratio	%	14.04%	17.40%	-19%
Debt/Total Assets	%	9.61%	11.90%	-19%
Market Shareholder Information as at 31 March				
Closing Market Price per Share	Rs.	11.50	8.10	42%
Market Capitalisation	Rs. 000	8,674,556	6,109,905	42%
Float Adjusted Market Capitalisation	Rs. 000	1,385,399	974,349	42%

CHAIRMAN'S REVIEW

Dear Shareholder,

It is with great pleasure that I welcome you to the 96th Annual General Meeting of The Kandy Hotels Company (1938) PLC, and to present to you the Annual Report of the Company for the year ended 31st March 2025.

The year under review was one of renewed momentum and consolidation for the Group. Against a backdrop of a steadily recovering tourism industry, the Group recorded a 23% growth in consolidated revenue to Rs. 1.5 billion, supported by improved occupancies, strengthened average room rates, and disciplined cost management. This translated into an Operating Profit of Rs.119 million (2024: Rs. 9 million), and a Profit after tax of Rs. 112 million (2024: loss of 120 million), reaffirming the rationale observed during the acquisition and consolidation of assets of United Hotels Company Ltd, under the Company back in 2023.

A defining milestone of the year was the refurbishment of the iconic Hotel Suisse, Kandy. The property has been restored and upgraded, blending its rich colonial heritage with modern standards. The renewed Hotel Suisse aims to position itself as a flagship destination in the hill capital, aligning with the Group's vision to capture the resurgence of both domestic and international tourism into the region.

Our financial position remains robust, with total assets of Rs. 14.7 billion and net assets of Rs. 10 billion as at the end of the year under review (2024: Rs.13.3 billion and Rs. 9 billion respectively). The acquisition and consolidation of United Hotels Company Limited under the Company in 2023, continues to yield synergies. The refurbishment of Hotel Suisse, and prior to that, EKHO Surf Benthota (refurbished during 2023) were financed primarily with Group's cash reserves, thus maintaining our overall leverage levels at a healthy threshold.

The Group will remain focused on driving operational excellence, optimising capital structures, and forge ahead with the prudent phased out investment programme focused on upgrading and refurbishing our properties to ensure that our properties remain at the forefront of Sri Lanka's hospitality sector while capturing the upside in tourism.

SUISSE HOTEL KANDY PVT LTD.

Our joint venture investment, Radisson Hotel Kandy, had an exceptional turnaround in results recording a Net Profit for the year under review of Rs. 46.9 million compared to a Net Profit of Rs. 23 million recorded during the previous financial year. The financial results of last year included a net foreign currency gain of Rs. 214.62 million from the revaluation of the US Dollar denominated bank borrowings amidst an appreciating Sri Lankan Rupee against the US Dollar. The corresponding exchange gain recorded during the year under review was Rs.48 million.

Further the group increased its investment in Suisse Hotel Kandy Pvt Ltd, the company owning The Radisson Hotel Kandy. Alongside a complete restructure of the Debt book of the Company, an investment of Rs. 292.5 million was made to support and strengthen the balance sheet of the Company consequent to stress built up during the period of Covid and Financial Crisis.

INDUSTRY PERFORMANCE AND ECONOMIC CONTEXT

The Sri Lankan economy demonstrated sustained recovery during the financial year 2024/25, building upon the stabilisation initiatives implemented in the preceding period. The Central Bank of Sri Lanka reported a robust GDP growth of 5% in 2024, with projections indicating continued expansion at 4.5% in 2025. This positive economic trajectory represents

A defining milestone of the year was the refurbishment of the iconic Hotel Suisse, Kandy. The property has been restored and upgraded, blending its rich colonial heritage with modern standards.

a significant departure from previous downturns and reflects the efficacy of comprehensive fiscal and monetary policy interventions.

The tourism industry's trajectory from 1.5 million arrivals in 2023 to over 2 million in 2024, with 15.5% growth continuing into 2025, has benefited traditional touring circuits that are vital for Kandy. With properties spread across the country, our business model has particularly benefited from the recovery in round-tour segments, in contrast to last year's concentration challenges.

Looking ahead, we remain optimistic about the prospects for both the tourism industry and our Group's performances. The tourism sector's strong recovery momentum is expected to continue, supported by ongoing government initiatives to promote

Chairman's Review

Sri Lanka as a premier destination, including infrastructure development projects, and the gradual return of international airline connectivity.

For the years ahead, we will continue to, as outlined above, progressively and systematically upgrade the properties. This phased approach ensures our hotels maintain competitive while optimising return on investment. We will also aim to leverage the growing diversity in source markets, particularly the strong growth from broader markets, Asia and Europe, while also capitalising on emerging opportunities from new geographic regions. Investment in digital platforms, revenue management systems, and guest experience technologies will enhance operational efficiency and service delivery.

The completion of the Hotel Suisse refurbishment and a total portfolio of nearly 300 rooms in the City of Kandy, (along with the Radisson Hotel Kandy) positions us to capture the full potential of Kandy's tourism recovery. With our strengthened portfolio of properties, robust financial position, and the improving economic environment, we are well-positioned for sustained growth and value creation.

I wish to extend my sincere appreciation to my fellow Board members, for their strategic guidance. I thank our associates across the Group for their dedication and cooperation, and I would also like to thank our valued guests, travel agents, suppliers, bankers, auditors, and secretaries for their continued support and partnership.

Finally, I would like to thank all the shareholders for their continued support and confidence in our strategic direction, which has enabled us to achieve this remarkable turnaround and deliver the sustained value we committed to providing.

(Sgd.)
Sanjeev Gardiner
Chairman
The Kandy Hotels Company (1938) PLC

31st August 2025

PROFILE OF DIRECTORS

MR. SANJEEV GARDINER
(Chairman)

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

He is the Chairman and Chief Executive Officer of the Galle Face Hotel Group of Companies which includes The Galle Face Hotel Co Limited, Galle Face Hotel 1994 (Pvt) Ltd, GFH Management Company (Pvt) Ltd, Gardiner Group (Pvt) Ltd, Galle Face Group (Pvt) Ltd, Ceylon Hotel Holdings (Pvt) Ltd (holding Company of Ceylon Hotels Corporation Group), and Ceylon Hotels Corporation PLC.

Mr. Gardiner counts over 30 years of management experience in a diverse array of business. He holds a Bachelor's Degree in Business from the Royal Melbourne Institute of Technology, Australia and a Bachelor's Degree in Business (Banking and Finance) from Monash University, Australia.

In addition to his work in the corporate sector, Mr. Gardiner is also a Director and Council member of HelpAge Sri Lanka and a member of many other charitable institutions.

MR. PRADEEP NILANGA DELA

Mr. Nilanga Dela was appointed to the Board of The Kandy Hotels Company (1938) PLC in July 2006 and has served as a Non-Executive Director of the Company for 18 years.

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

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

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

MR. PRIYANTHA MADDUMAGE

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

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

He is a fellow member of the Institute of Chartered Accountants of Sri Lanka, The National Institute of Accountants of Australia, CPA Australia and Institute of Certified Management Accountants of Sri Lanka and also a fellow member of Institute of Certified Professional Managers of Sri Lanka. Mr. Maddumage serves as a Director in all subsidiary Companies of The Kandy Hotels Co. (1938) PLC.

MR. SHALIKE KARUNASENA

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

Mr. Karunasena has over 25 years of experience in Financial Management, Treasury and Strategy in the fields of Commodities Trading, Overseas Plantations, Refining & Manufacturing and Leisure/ Hospitality with nearly 20 years of Senior Management experience, functioning within the South- East Asian Region. He is a fellow member of the Chartered Institute of Management Accountants, UK.

Profile of Directors

MR. INDRAJITH FERNANDO

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

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

MR. NIRMAL DE SOYSA COOKE

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

EXECUTIVE SUMMARY

Kandy Hotels Co (1938) PLC ("the Company" or "KHC") and its subsidiaries ("the Group") delivered a financial turnaround during the financial year 2024/25, transitioning from a net loss of Rs. 120 million in the prior year to a consolidated net profit of Rs. 112 million for the year under review. This performance reflects the Group's initiatives (both strategic as well as operational) to reposition property portfolio to, capitalise on Sri Lanka's economic recovery and the robust resurgence of the global tourism sector.

The versatile strategy ensured that the Group navigated the conditions to generate a sound revenue growth of 23% year-on-year to Rs. 1,506 million, supported by improved occupancy levels, enhanced operational capacity following strategic acquisitions, and the favourable macroeconomic environment. Key operational milestones included the completion and reopening of Hotel Suisse following a comprehensive refurbishment program.

MACROECONOMIC ENVIRONMENT

Economic Recovery and Stabilisation

The Sri Lankan economy demonstrated sustained recovery during the financial year 2024/25, building upon the stabilisation initiatives implemented in the preceding period. The Central Bank of Sri Lanka reported robust GDP growth of 5.0% in 2024, with projections indicating continued expansion at 4.5% in 2025. This positive economic trajectory represents a significant departure from previous downturns and reflects the efficacy of comprehensive fiscal and monetary policy interventions.

The external sector exhibited notable strength, with tourism earnings reaching USD 3.17 billion for the full year 2024, representing a 53.2% increase compared to USD 2.07 billion in 2023. This substantial improvement in foreign exchange inflows has contributed materially to exchange rate stability and the strengthening of foreign currency reserves.

The government's commitment to structural reforms, complemented by the ongoing IMF Extended Fund Facility program, provides a solid foundation for sustained economic growth. However, management remains cognizant of potential headwinds from global economic uncertainties and geopolitical developments that may influence international travel patterns and broader economic stability.

INDUSTRY ANALYSIS: GLOBAL AND DOMESTIC TOURISM

Global Tourism Recovery

The international tourism sector achieved a significant milestone in 2024, with global tourist arrivals reaching pre-pandemic levels. The United Nations World Tourism Organisation (UNWTO) reported approximately 1.4 billion international tourists in 2024, marking a 11% increase over 2023 and signifying almost a complete recovery to its pre pandemic levels. International tourism receipts reached USD 1.6 trillion, growing 11% in real terms, while total export revenues from international tourism (including receipts and passenger transport) reached a record USD 1.9 trillion, about 15% above pre-pandemic levels. This momentum sustained into Q1 2025, with international arrivals growing 5% year-on-year to over 300 million tourists, despite the identified top five challenges such as rising transportation and accommodation costs, global economic conditions, geopolitical tensions, extreme weather impacting certain parts, and labour shortages.

This shows that tourism revenue recovery has actually outpaced arrival recovery, indicating higher spending per tourist and stronger value generation from international tourism.

The Asia-Pacific region led the recovery, with South Asia surpassing pre-pandemic levels by early 2024, thanks to strong intraregional demand and eased travel restrictions. Europe and the Middle East also showed robust performance, while Africa and the Americas maintained steady growth. Sri Lankan Tourism Sector Performance

Sri Lanka's tourism industry has demonstrated exceptional recovery, with consistent month-on-month growth throughout 2024 and during January to March 2025. According to the Sri Lanka Tourism Development Authority (SLTDA), tourist arrivals for January-December 2024 totalled 2,053,465 visitors, representing a robust 38.1% year-on-year increase compared to 1,487,303 arrivals in the corresponding period of 2023.

Tourist Arrival Analysis (January - June 2025)

Month	2024 Arrivals	2025 Arrivals	Growth (%)
January	208,253	252,761	21.4%
February	218,350	240,217	10.0%
March	209,181	229,298	9.6%
April	148,867	174,608	17.3%
May	112,128	132,919	18.5%
June	113,470	138,241	21.8%
Total	1,010,249	1,168,044	15.6%

Source: Sri Lanka Tourism Development Authority

The appreciation of the Sri Lankan Rupee and rising input costs present ongoing challenges, but the destination remains competitively positioned in global rankings.

Management Discussion and Analysis

As a biodiversity hotspot, Sri Lanka needs to shift towards authentic, community-based travel experiences-as opposed to mass tourism-to better serve the long-term future of the industry and the nation. While Infrastructure development remaining a priority, enhancing airport facilities and improving multi-modal connectivity by air, road, and rail will continue to be vital in offering the guests a better experience.

By region, Europe dominated with 51.9% of total visitors, while Asia and the Pacific contributed 41% of arrivals The Americas represented 5.1% of arrivals, while the Middle East and Africa contributed 1.1% and 1% respectively.

By individual countries, India emerged as the leading source market with 416,974 arrivals (20.3% of total), followed by the Russian Federation with 201,920 visitors (9.8%), the United Kingdom with 178,339 arrivals (8.7%), Germany with 136,084 visitors (6.6%), and China with 131,681 arrivals (6.4%). Other significant contributors included Australia (89,573), France (88,775), the United States (59,532), the Netherlands (50,116), and the Maldives (47,222).

January 2025 recorded the highest-ever January tourist arrivals in Sri Lanka's history with 252,761 visitors, demonstrating the sustained momentum. Enhanced air connectivity, targeted marketing initiatives, and the government's strategic focus on tourism as a key economic pillar have contributed significantly to this performance, with projections suggesting close to 2.5 million tourists by year-end 2025.

FINANCIAL PERFORMANCE ANALYSIS

Consolidated Revenue Performance

The Group achieved revenue growth, with total revenue increasing by 23% to Rs. 1,506 million in the financial year 2024/25 compared to Rs. 1,223 million in the prior year. This expansion primarily reflects:

- Enhanced operational capacity following the full acquisition of United Hotels Company Limited (UHC)
- Improved occupancy rates across the Group's portfolio
- Favourable pricing environment driven by increased demand
- Continued positive contribution from renovated properties, particularly the Surf Hotel

Conversely, the Company's standalone revenue declined by 11% to Rs. 527 million (2024: Rs. 595 million). Hotel Suisse was taken out of the inventory in June 2024 for planning and execution of the refurbishment work, thus the primary reason for the YoY drop in revenue. Queens hotel's revenue expanded by 39% YoY on the backdrop of higher occupancy and rates, cushioning the gross impact from the loss of revenue from Hotel Suisse.

Profitability and Operational Efficiency

The Group achieved a financial turnaround, recording a net profit of Rs. 112 million in financial year 2024/25 compared to a net loss of Rs. 120 million in the previous year. Profit before tax for the period under review was Rs. 52 million compared to a loss of Rs. 100 million. This Rs. 152 million improvement demonstrates: enhanced asset utilisation, effective cost optimisation strategies, improved operational leverage, strategic pricing initiatives., across the Company (KHC) and its subsidiaries, United Hotels Co Ltd (UHC), Tissa Resorts Pvt Ltd (TRL).

Revenue

KHC recorded a revenue declined of 11% to Rs. 527 million (2024: Rs. 595 million). Hotel Suisse was taken out of the inventory in June 2024 for planning and execution of the refurbishment work, thus the primary reason for the YoY drop in revenue. Queens hotel's revenue expanded by 39% YoY on the backdrop of higher occupancy and rates, cushioning the gross impact from the loss of revenue from Hotel Suisse.

Room revenue declined to Rs. 221 million in financial year 2024/25, marking a 12% decrease from Rs. 251 million in financial year 2023/24, while food and beverage revenue declined to Rs. 265 million from Rs. 309 million. This decline corresponds to the closure of Hotel Suisse for Refurbishment.

UHC & TRL recorded a combined revenue growth of 57% to Rs. 987 million (2024: Rs. 628 million)

The renovated Surf Hotel of UHC relaunched its operations during the year under review, contributing to the Group's remarkable increase in revenue.

Operating Performance

KHC's operating profit decrease from Rs. 30 million in financial year 2024 to a loss of Rs. 3 million in the current year. Finance cost increased by 12.73% during the year primarily due to intercompany borrowings to support key strategic investments and refurbishments.

UHC & TRL combined operating performance increased from loss of Rs. 25 million in financial year 2024 to a profit of Rs. 121 million in the current year.

BALANCE SHEET POSITION AND CAPITAL MANAGEMENT

Asset Base and Financial Position

Total Group assets increased modestly by 10.67% to Rs. 14,702 million (2024: Rs. 13,285 million), while total equity strengthened by 10.79% to Rs. 10,063 million (2024: Rs. 9,083 million). Net assets per share improved to Rs.13.34 from Rs. 12.04 in the prior year.

Capital Investment Program

The Group maintained its commitment to capital enhancement, with property, plant and equipment increasing by Rs. 762 million during the year. The most significant investment comprised the refurbishment of Hotel Suisse.

Further the group increased its investments in Suisse Hotel Kandy (Pvt) Ltd, the owning company of The Radisson Hotel Kandy. These the investment was to support and strengthen the balance sheet of the company consequent to stress built up during the period of Covid and Financial Crisis.

Liquidity and Cash Management

Cash and cash equivalents decreased to Rs. 1,210 million from Rs. 1,887 million in the prior year, primarily reflecting strategic capital investments and operational requirements. Management maintains adequate liquidity buffers to support ongoing operations and strategic initiatives.

Debt Management and Capital Structure

The Group demonstrated disciplined debt management, reducing total interest-bearing loans by 10.66% to Rs. 1,412 million (2024: Rs.1,581 million). This debt reduction enhances financial flexibility and reduces interest burden, supporting improved profitability and operational efficiency.

Key Performance Indicators

Metric	2025	2024	Change
Group Revenue (Rs. million)	1,506	1,223	+23%
Net Profit/(Loss) (Rs. million)	112	(120)	+232
Gross Profit Margin	75%	72.5%	+2.5pp
Earnings per Share (Rs.)	0.15	(0.17)	+0.32
Net Assets per Share (Rs.)	13.34	12.04	+1.3
Total Assets (Rs. million)	14,702	13,285	+11%

OUTLOOK

Global tourism forecasts published prior to the United States' announcement of tariffs in April 2025, were broadly optimistic. However, the IMF's April 2025 World Economic Outlook accordingly revised global GDP growth downward and adjusted inflation forecasts upward. These upward revisions were more pronounced in developing and emerging markets, indicating pressure on disposable incomes and the potential for softer consumer confidence.

Travellers in 2025 and beyond are seeking a different experience that are immersive, meaningful, and restorative-be it through culinary exploration, wellness escapes, off-peak adventures, or responsible travel. Sri Lanka as a destination needs to take cognisance of these emerging preferences.

Sustained international promotion and destination branding at global forums are essential to remaining competitive and measures such as digital transformation, political and economic stability, ensuring a seamless customer journey that can enhance appeal needs to be addressed in consolidating Sri Lanka's progress in tourism.

RISK MANAGEMENT

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

The risk management framework is embedded within the business planning process and is managed by key business teams who focus on early risk identification, prevention, and capitalising on opportunities. The Board of Directors ensures the framework's effectiveness and prudence in evaluating and handling risks, while the Audit Committee assists in the review process.

In the tourism sector, risk management involves a proactive and strategic approach to anticipate, prepare for, respond to, and recover from unexpected events that could impact tourist safety, travel plans, and overall satisfaction. This process includes identifying, assessing, and prioritising potential risks related to hotel operations and implementing strategies to mitigate these risks, with an emphasis on sustainable development. It also ensures that risks associated with the group's diverse operations are managed effectively to enhance and preserve stakeholder value.

The Board of Directors and the Audit Committee oversee the risk management processes for both the Company and its hotel group, ensuring risks are managed within acceptable limits and mitigating any potential issues. There are ongoing efforts to enhance the risk management governance structure to comply with the updated listing rules of the Colombo Stock Exchange.

TOURISM INDUSTRY

The tourism sector is influenced by a range of macro environmental factors, including economic conditions, political climates, socio-cultural trends, technological advancements, and sustainability concerns.

Tourism growth can be affected by various disruptions such as natural disasters, major accidents, terrorism, warfare, economic crises, and pandemics. These events can impact tourism differently, affecting their duration, intensity, and geographic scope. Disruptions like natural disasters, health crises (e.g., pandemics), political unrest, and security issues can all interfere with travel plans and influence the tourism industry.

Economic downturns and fluctuations in global, national, and regional conditions—particularly in our primary source markets, as well as globally can affect the number of international travellers and the industry's growth.

In Sri Lanka, factors that may dampen international travel sentiment include political and economic instability, emerging health risks (such as dengue outbreaks), potential or actual acts of terrorism or conflict, violence, and natural or man-made disasters. Additionally, increased taxation and administrative changes could raise costs for tourists, influencing their travel decisions and spending habits. A decrease in purchasing power among locals may also reduce domestic tourism, impacting local businesses and attractions.

The industry's competitiveness poses another challenge, as it may limit our success compared to other hotels and home-sharing or rental services. With numerous hotel brands, independent hotels, and regional home-sharing options available, our ability to attract and retain both business and leisure travellers' hinges on delivering exceptional experiences, having strategically located hotels, maintaining guest loyalty, offering good value for money, and ensuring efficient service. This competitive environment affects our capacity to improve operating margins and is shaped by overall supply and demand dynamics in the tourism sector.

OUR BUSINESS

Our business depends significantly on the quality and reputation of our company and its brands. Any decline in these aspects could negatively affect our market share, reputation, financial health, or operational results. Various factors can impact our reputation, including the quality of service, food safety, the safety of guests and employees, health and cleanliness standards, environmental and social practices, and community support. Social media amplifies public feedback, which can influence how our brand and hotels are perceived. Managing negative publicity, regardless of its accuracy, can be challenging. A significant drop in our brand's reputation or perceived quality could harm our market share, reputation, business performance, financial condition, and operational results.

Attracting, developing, and retaining talented leadership is essential for our success. We compete with other organisations both within and outside our industry for skilled personnel. Failure to recruit, train, develop, and retain sufficient talented employees could lead to increased staff turnover, decreased guest satisfaction, low employee morale, inefficiency, or lapses in internal controls. A shortage of skilled employees could also impede our business growth and expansion. Furthermore, the effectiveness and performance of our senior executives are crucial for maintaining our competitive edge and driving future growth. The departure of key executives could pose challenges to our business strategy execution and have other detrimental effects.

Our revenues have been adversely affected by natural and man-made disasters. We've seen a decline in travel and reduced lodging demand due to events such as 'Acts of God,' man-made disasters, and disease outbreaks in areas where we operate. A terrorist attack or other acts of violence involving our properties could significantly reduce demand for these assets, further impacting our revenue and profitability. Nonetheless, we maintain adequate insurance coverage to protect against property and consequential losses.

PROPERTY / INVESTMENT VALUATION RISK

The Company's property and investment valuations are reported at fair value, as determined by independent professional valuers. Key factors influencing these valuations include the market discount rate, which is beyond the Company's control.

Although we take appropriate measures to manage the aspects of valuation that we can control, external environmental factors and industry fluctuations can result in variations in the fair value of investments reported in our financial statements.

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

The Board of Directors ('the Board') of the Kandy Hotels Co. (1938) PLC has the pleasure of presenting the Annual Report together with the Audited Consolidated Financial Statements of the Company and its subsidiaries (collectively) referred to as 'the Group') for the year ended 31st March 2025 The details set out herein provide the pertinent information required by the Companies Act No.07 of 2007 and its amendments ('Companies Act'), the Listing Rules of the Colombo Stock Exchange (CSE) and is guided by recommended practices on Corporate Governance.

1. FORMATION

The Company is a public limited liability company incorporated and domiciled in Sri Lanka bearing company registration no. PQ 201 and the ordinary shares of the Company are listed on the 2nd board of the CSE. The registered office of the Company is located at No.327, Union Place, Colombo 02.

2. PRINCIPAL ACTIVITY OF THE COMPANY AND ITS SUBSIDIARIES

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

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

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

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

3. ANNUAL REPORT

The Board of Directors on 31st August 2025, approved the Company's Audited Financial Statements together with the reviews which form part of the Annual Report. The appropriate number of copies of the Report would be submitted to the Colombo Stock Exchange, Sri Lanka Accounting and Auditing Standards Monitoring Board and the Registrar General of Companies within the given time frames to meet the deadlines.

4. REVIEW OF THE YEAR

The Chairman's Review and the Management Discussion and Analysis on pages 3 to 4 and 7 to 9 describes the Company's affairs and highlights important events that occurred during the year, and up to the date of this report. The Group Financial Highlights on page 2 summaries the financial results of the Company. These reports together with the audited financial statements reflect the state of affairs of the Company.

5. FINANCIAL PERFORMANCE OF THE COMPANY

The financial statements which include statement of profit or loss and other comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and the notes to the financial statements of the Company & Group for the year ended 31st March 2025 and are prepared in compliance with the Sri Lanka Accounting Standards (SLFRS and LKAS) laid down by the Institute of Chartered Accountants of Sri Lanka and the requirements of Section 151 of the Companies Act No. 07 of 2007 are given on pages 48 to 121 in this annual report.

The aforementioned financial statements for the year ended 31st March, 2025, are duly signed by the Group Accountant and two other Directors of the Company.

6. FINANCIAL RESULTS

The net loss before tax of the Company was Rs. 128 Mn on a turnover of Rs. 527 Mn for the year ended 31st March 2025 compared to a loss before tax of Rs. 81 Mn on a turnover of Rs. 595 Mn in 2023/2024.

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

For the year ended 31st March	Group 2025 Rs (000)	Group 2024 Rs (000)	Company 2025 Rs (000)	Company 2024 Rs (000)
Profit (loss) for the year	111,886	(119,856)	(89,934)	(62,789)
Profit brought forward from the previous year	948,470	871,265	1,323,118	1,181,494
Other comprehensive income	868,092	(120,086)	733,150	(998)
Dividends (preference dividend)	(38)	(38)	(38)	(38)
Transfer of excess depreciation on revaluation	88,800	89,187	73,707	73,707
Retained earnings carried forward	1,147,475	948,470	1,306,516	1,323,118

7. AUDITORS' REPORT

The Independent Auditors of the Company are Messrs. Ernst & Young, Chartered Accountants. E&Y carried out the audit of the financial statements of the Company for the year ended 31st March 2025 and their report on the financial statements is set out on pages 45 to 47 of this Annual Report.

8. SIGNIFICANT ACCOUNTING POLICIES

The details of the accounting policies adopted by the Company in preparation of the financial statements and the impact thereon, of changes in the Sri Lanka Accounting standard made during the year are disclosed on pages 53 to 70 of the Annual Report. There were no changes in accounting policies adopted by the Company during the year under review other than those disclosed in the financial statements.

9. RESPONSIBILITIES OF DIRECTORS AND AUDITORS FOR THE FINANCIAL STATEMENTS

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

The detailed Statement of Directors' Responsibilities for Financial Reporting is set out on pages 18 to 19 of this Annual Report.

10. STATED CAPITAL AND RESERVES

The Company's stated capital as of 31st March 2025 was Rs.2,661,816,425/- represented by 754,309,253 ordinary shares and 50,000 preference shares at 15%.

As at 31st March 2025, there were 2018 registered ordinary shareholders. The Company has ensured at all times that all shareholders are treated fairly and equitably.

a) Minimum Public Holding Requirement

The percentage of shares held by the public as of 31 March 2025 was 15.97%, in the hands of 1,998 shareholders.

The Company is not compliant with the Minimum Public Holding requirement in relation to a Company listed on the Main Board, as per Rule 7.13.1 (a) of the Listing Rules of the Colombo Stock Exchange ('CSE'). Accordingly, the Company was transferred to the 2nd Board on 29 February 2024.

11. SHAREHOLDERS' FUND

The total reserves of the Company as of 31st March 2025 was Rs. 8,444 Mn (2024: Rs. 7,801 Mn) comprising of retained earnings of Rs. 1,307 (2024: Rs1,323 Mn) and other reserves of Rs. 7,138 Mn (2024: Rs. 6,478 Mn). Total reserves combined with Stated Capital as of 31st March 2025 was Rs. 11,106 Mn (2024: Rs. 10,463 Mn) The movements are shown in the Statement of Changes in Equity given on pages 50 to 51.

12. DIVIDEND

The Board of Directors have not recommended a final dividend for the year ended 31st March 2025.

13. SOLVENCY TEST

Since there is no recommendation for payment of a dividend for the year ended 31st March 2025, it is not required to prepare a solvency statement in accordance with Section 56 of the Companies Act, No.07 of 2007.

14. GOING CONCERN

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

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

15. PROPERTY PLANT AND EQUIPMENT

The Group has incurred capital expenditure of Rs. 762 million during the year under review (2023/2024 – Rs. 333 million). The group has spent Rs. 723 Mn to refurbishment of Hotel Suisse during the financial year The movements in property, plant and equipment during the year are set out in Note 14 to the Financial Statements given on pages 78 to 81.

16. MARKET VALUE OF PROPERTIES

Freehold Land and Buildings of the Group were revalued by an independent professional valuer as of 31 March 2025. The valuation basis/techniques and the assumptions used therein have been deliberated and agreed by the Management. The carrying value of land and buildings (freehold and leasehold) reflected in the Financial Statements as at 31st March 2025 is Rs. 11,800 Mn (2024 – Rs. 10,201).

The details of land and buildings (freehold and leasehold) valuation are given in Note 14.3 on page 82 to 83 to the Financial Statements.

17. INVESTMENTS IN SUBSIDIARIES

Details of long-term Investments held by the Company are given in Note 18 to the financial statements on page 87.

18. IMPAIRMENT TESTING

All asset classes have been tested for impairment and Group/ company has made the provisioning where necessary. Details of which are given in note 18.1 to the financial statements on page 88.

19. STATUTORY PAYMENTS

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

20. CONTINGENT LIABILITIES AND CAPITAL COMMITMENT

The contingent liabilities as at 31st March 2025 are given in Note 34 to the Financial Statements. There were no capital commitments made on account of capital expenditure as at 31 March 2025 (Note 35).

21. PENDING LITIGATION

In the opinion of the Directors, the Company's lawyers have established that litigation currently pending against the Company will not have a material impact on the reported financial results or future operations of the Company. There were no pending litigations as at the reporting date other than those disclosed in Note 34 on page 114.

22. ENVIRONMENTAL PROTECTION

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

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

23. POST BALANCE SHEET EVENTS

No circumstances have arisen since the Statement of Financial Position date, which would require adjustment to or disclosure is given in note 38 to the financial statements on page 121.

24. DIRECTORS AS AT 31 MARCH 2025

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

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

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

Name of the Director	Directorship Status
Mr. Sanjeev Gardiner	Non-Independent Executive
Mr. C. Shalike Karunasena*	Non-Independent Executive
Mr. Priyantha. P. Maddumage	Non-Independent Non Executive
Mr. Pradeep Nilanga Dela	Non-Independent, Non-Executive
Mr. Lakshman Samarasinghe** (demised)	Non-Independent, Executive
Mr. Indrajith Fernando***	Independent Non-Executive
Mr. Nirmal De Soysa Cooke****	Independent Non-Executive
Mr. Jayampathy Charitha Ratwatte*****	Non Independent Non-Executive
Mr. Ranjith Gunatilleke*****	Non Independent Non-Executive
Mr. Sarath Chandra Mohotti*****	Non Independent Non-Executive
Mr. Nahil Wijesuriya******	Non Independent Non-Executive

* Appointed on 02nd August 2024.

** Deceased on 10th April 2024.

*** Appointed on 20th December 2024.

****Appointed on 10th February 2025.

***** Resigned on 10th February 2025.

****** Resigned on 16th August 2024

24.1 Changes in the Directorate

- Mr. Lakshman Samarasinghe passed away on 10th April 2024.
- Mr. Shalike Karunasena was appointed as Non Independent, Executive Director with effect from 2nd August 2024.
- Mr. Nahil Wijesooriya has resigned from the board with effect from 16th August 2024.
- Mr. Priyantha Maddumage was re-designated as Non-Independent/Non-Executive Director, with effect from 30th September 2024.
- Mr. Sarath Chandra Mohotti, Mr. Ranjith Gunatilleke and Mr. Jayampathy Charitha Ratwatte resigned with effect from February 10, 2025.
- Mr. Indrajith Fernando has been appointed as Independent Non-Executive on December 20, 2024.
- Mr. Nirmal De Soysa Cooke has been appointed as Independent Non-Executive Director on February 10, 2025 and also appointed as Senior Independent Director (SID) on February 10, 2025

24.2 Directors to retire by rotation

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

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

24.3 Re-election of Mr. Indrajith Fernando and Mr. Nirmal De Soysa Cooke

In terms of Article 95a of the Articles of Association, shareholder approval is sought to re-elect Mr. Indrajith Fernando and Mr. Nirmal De Soysa Cooke, who were appointed to the Board on 20th December 2024 and 10th February 2025, respectively.

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

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

The names of the Directors of Subsidiary companies as at March 31, 2025 are given below.

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

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

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

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

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

Each of the Independent Directors of the Company has submitted a signed declaration on Independence / Non – Independence as per Rule 9.8.5 of the Listing Rules of the Colombo Stock Exchange (CSE). Based on the Declaration made by the Directors, The Board of Directors have identified that following of the Independent Directors have not meet the criteria of Independence, in terms of Rule 9.8.3. of the Listing Rules of the CSE with effect from 1st January 2025.

1. Mr. J. Charitha Ratwatte
2. Mr. S. Chandra Mohotti
3. Mr. M. D. Ranjith Gunathilake
4. Mr. P. Nilanga Dela

25. DIRECTORS' MEETINGS

There were two (2)board meetings held during the year ending 31 March 2025 .

Name of the Director	Directorship Status	Eligibility	Attendance
Mr. Sanjeev Gardiner	Non-Independent Executive	02	02
Mr. C. Shalike Karunasena*	Non-Independent Executive	02	02
Mr. Priyantha. P. Maddumage	Non-Independent Non Executive	02	00
Mr. Pradeep Nilanga Dela	Non-Independent, Non-Executive	02	00
Mr. Lakshman Samarasinghe** (demised)	Non-Independent, Executive	00	00
Mr. Indrajith Fernando***	Independent Non-Executive	01	01
Mr. Nirmal De Soysa Cooke****	Independent Non-Executive	01	01
Mr. Jayampathy Charitha Ratwatte*****	Non Independent Non-Executive	01	01
Mr. Ranjith Gunatilleke*****	Non Independent Non-Executive	01	01
Mr. Sarath Chandra Mohotti*****	Non Independent Non-Executive	01	01
Mr. Nahil Wijesuriya******	Non Independent Non-Executive	00	00

* Appointed on 02nd August 2024.
** Deceased on 10th April 2024.
*** Appointed on 20th December 2024.
****Appointed on 10th February 2025.
***** Resigned on 10th February 2025.
****** Resigned on 16th August 2024

26. BOARD SUB-COMMITTEES

The Board while assuming the highest level of responsibility and accountability for the management oversight of the Company, has appointed board sub-committees to ensure that the activities of the Company at all times are conducted within the highest ethical standards and in the best interests of all its stakeholders.

In line with the Corporate Governance Standards of Listing Rules and industry best practices the Audit Committee, Remuneration Committee and Related Party Transactions Review Committee of the parent company, Ceylon Hotels Corporation PLC (listed entity) oversaw the functions of the company until 30th September 2024.

Following the regulatory amendment, effective 1st October 2024, which mandates that each listed entity must establish and maintain its own sub Committees. Therefore KHC has formed its own sub committees w.e.f. 30th September 2024.

The composition and functions of each subcommittee are given on pages 36 to 42 of the Corporate Governance section of this Annual Report.

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

26.1 Audit Committee

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

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

26.2 Remuneration Committee

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

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

26.3 Nomination and Governance Committee

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

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

Mr. Indrajith Fernando – Independent, Non-Executive Director

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

26.4 Related Party Transactions Review Committee

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

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

26.4.1 Non-Recurrent Related Party Transactions

The disclosure pertaining to non-recurrent related party transactions, which require additional disclosures in the 2024/25 Annual Report under Colombo Stock Exchange Listing Rule 9.14.8(1) and the Code of Best Practices on Related Party Transactions under the Securities and Exchange Commission Directive issued under Section 13(c) of the Securities and Exchange Commission Act, was duly made in Note 33.6 to the Financial Statements.

26.4.2 Recurrent Related Party Transactions

All the Recurrent Related Party Transactions which in aggregate value exceeds 10% of the revenue of the Company as per Audited Financial Statements of 31st March 2025 are disclosed under Note 33 on pages 110 to 113 to the Financial Statements, as required by Colombo Stock Exchange listing Rule 9.14.8(2) and Code of Best Practices on Related Party Transactions under the Securities and Exchange Commission Directive issued under Section 13(c) of the Securities and Exchange Commission Act.

26.4.3 Directors' Declaration on Related Party Transactions

The Directors declare that they are in compliance with Rule 9 of the listing rules of the CSE pertaining to Related Party Transactions during the financial year ended 31st March 2025.

The Directors of the Company declare that there were no related party transactions required to be disclosed under the listing rules of the CSE other than disclosed in the financial statements. The report of the Related Party Transactions Review Committee is given on page 39 in the Annual Report.

27. DIRECTORS' DEALINGS WITH THE SHARES OF THE COMPANY

Directors' shareholding in the company as at 31st March 2025 are as follows:

Name of the Director	31st March 2025 Ordinary shares	31st March 2025 Preference Shares
Mr. Sanjeev Gardiner	87,500	9,500
Mr.Nirmal De Soysa Cooke	Nil	Nil
Mr.Pradeep Nilanga Dela	Nil	Nil
Mr. P P Maddumage	Nil	Nil
Mr.Indrajith Fernando	Nil	Nil
Mr. Shalike Karunasena	Nil	Nil

As at 31st March 2025, there were 2,008 registered ordinary shareholders. The number of ordinary shares held by the public as per the Colombo Stock Exchange rules as of 31st March 2025 was 120,469,503 shares equivalent to 15.97%

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

28. INTEREST REGISTER

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

The Board of Directors has duly disclosed their directorships in related companies and share dealing with the Company and related companies at board meetings.

29. REMUNERATION OF DIRECTORS

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

30. DIRECTORS INTEREST IN CONTRACTS

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

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

31. DIRECTORS DECLARATION

The Board of Directors declares as follows:

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

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

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

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

32. CORPORATE GOVERNANCE

The Board has ensured that the Company has complied with the Corporate Governance Rules as per the Listing Rules of the Colombo Stock Exchange (CSE). Subject to Corporate Governance Report given in page 20.

33. SUBSTANTIAL SHAREHOLDING

Names of the twenty largest shareholders and the percentages of their respective holdings as at 31st March 2024 and 31st March 2025, are given in the section on "Investor Information" on pages 122 to 124.

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

Information relating to earnings, dividend, net assets and market value per share is given in "Financial Highlights" on page 2 Information on the shares traded and movement in the number of shares represented by the stated capital of the company is given in the section on "Investor Information" on pages 122 to 124.

35. CONTRIBUTIONS TO CHARITY

The sum of contributions made to charities by the Group during the financial year ended 31 March 2025 does not exceed Rs. 93,624 /- (2024: does not exceed Rs. 237,562)

36. RISK MANAGEMENT

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

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

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

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

38. AUDITORS RELATIONSHIP

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

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

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

39. NOTICE OF THE ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held on 26th September 2025 at 2.00 p.m. via audio visual technology. The Notice of Meeting is given on page 126 of the Annual Report.

40. ACKNOWLEDGEMENT OF THE CONTENT OF THE REPORT

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

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

For and on behalf of the Board

(Sgd.)
Sanjeev Gardiner
Chairman

(Sgd.)
Shalike Karunasena
Director

(Sgd.)
By Order of the Board,

Deloitte Corporate Services (Private) Limited,

31st August 2025

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR PREPARATION OF FINANCIAL STATEMENTS

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

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

The financial statements comprise:

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

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

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

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

In terms of Section 150(1)(b) and Section 152(1)(b) of the Companies Act these Financial Statements of the Company have been certified by the Company's Group Accountant, the Officer responsible for their preparation. In addition, the Financial Statements of the Company and the Group have been signed by two Directors of the Company on 31st August 2025 as required by the Sections 150 (1) (c) and 152 (1) (c) of the Companies Act and other regulatory requirements. In terms of Section 148 (1) of the Companies Act, the Directors are also responsible for ensuring that proper accounting records are correctly recorded and explains the Company's transactions to facilitate a proper audit of the Financial Statements. Accordingly, the Directors have taken reasonable steps to ensure that the Company and the Group maintain proper books of accounts and review the financial reporting system through the Board Audit Committee.

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

The Directors confirm that these Financial Statements for the year ended 31st March 2025, prepared and presented in this Annual Report are in agreement with

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

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

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

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

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

The External Auditors, Messrs. Ernst & Young, are appointed in terms of Section 158 of the Companies Act No. 07 of 2007 were provided with every opportunity to undertake the inspections they considered appropriate to enable them to form their opinion on the Financial Statements. The responsibilities of the independent auditor in relation to the financial statements prepared in accordance with the provisions of the Companies Act, No. 07 of 2007 ('the Companies Act'), are set out in the Independent Auditor's Report from pages 45 to 47

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

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

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

COMPLIANCE REPORT

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

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

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

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

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

31st August 2025

CORPORATE GOVERNANCE

CHAIRMAN'S STATEMENT ON CORPORATE GOVERNANCE

Dear Shareholder,

The companies' performance has been underpinned by competent directors, solid governance structures, and institutionalised processes that support effective strategic guidance and resource allocation. As done in the past, The Kandy Hotels Co. (1938) PLC duly complied with the Colombo Stock Exchange Listing Rule No. 9 on Corporate Governance.

The Kandy Hotels Company (1938) PLC duly complied with the Colombo Stock Exchange Listing Rule No. 9 on Corporate Governance and accordingly, ensured compliance with the policies established and maintained in compliance with the Listing Rules.

Compliance Statement on behalf of the Board of The Kandy Hotels Company (1938) PLC, I declare that the principles of good Corporate Governance are applied consistently across the Group and that the Corporate Governance Report provides a fair account of Corporate Governance practices within the Group. We are also pleased to report that the Group complies with the relevant sections of the Listing Rules of the Colombo Stock Exchange (CSE) pertaining to Corporate Governance and the provisions of the Code of Best Practice on Corporate Governance 2023 issued by the Institute of Chartered Accountants of Sri Lanka.

Sgd.
Sanjeev Gardiner
Chairman

31st August 2025
Colombo

At The Kandy Hotels Co. (1938) PLC, we are committed to sound Corporate Governance practices relying on a comprehensive system of internal controls and best practices to achieve this objective.

The Company's compliance with the continuing listing rules of the CSE, Companies Act No. 07 of 2007 and the code of best practice of Corporate Governance jointly issued by the Securities and Exchange Commission of Sri Lanka (SEC) and the Institute of Chartered Accountants of Sri Lanka (ICASL) is described below. The Company is also a subsidiary of The Ceylon Hotels Corporation PLC (CHC) and therefore the structure and policies of the Company are in conformity with those of CHC, ensuring a consistent compliance practice across the group.

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

REGULATORY REQUIREMENTS

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

Internal

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

Voluntary Codes

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

BOARD OF DIRECTORS

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

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

Board composition and Director's Independence as of 31st March 2025

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

The following changes were made to the composition of the Board of Directors in accordance with the amended Corporate Governance Rules of the CSE.

- Mr. Lakshman Samarasinghe passed away on 10th April 2024.
- Mr. Shalike Karunasena was appointed as Non Independent, Executive Director with effect from 2nd August 2024.
- Mr. Nahil Wijesooriya has resigned from the board with effect from 16th August 2024
- Mr. Sarath Chandra Mohotti, Mr. Ranjith Gunatilleke and Mr. Jayampathy Charitha Ratwatte resigned from the Board with effective February 10, 2025.
- Mr. Indrajith Fernando has been appointed as Independent Non-Executive on December 20, 2024.
- Mr. Nirmal De Soysa Cooke has been appointed as Independent Non-Executive Director on February 10, 2025 and also appointed as Senior Independent Director (SID) on February 10, 2025
- Mr. Priyantha Maddumage was re-designated as Non-Independent/Non-Executive Director, with effect from 30th September 2024.

The Board of Directors comprises of 06 Directors of which 04 are Non-Executive Directors. 02 of them are Independent Non-Executive Directors. The Board represents extensive industry expertise.

DIVERSITY OF DIRECTOR

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

As of 31st March 2025, the Company's board comprised Six (06) Directors, of which four (04) function in a non-executive capacity. The (02) Executive Directors are also considered to be Key Management Personnel (KMP) of the Company. Two (02) out of Six (06) Directors are independent bringing independent judgement and objectivity to the board deliberations.

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

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

INDEPENDENCE OF DIRECTORS

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

The Board has determined that Mr. Sarath Chandra Mohotti, Mr. Ranjith Gunatilleke and Mr. Jayampathy Charitha Ratwatte Resigned as they have not meet the criteria of independence

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

Board Meetings and Attendance

The Board meets regularly to discuss the company's performance and evaluate its strategic direction. There were two (02) board meeting held during the year under review. All meetings held during the year ensured that the Board has adequate time to discuss the actual and potential impact to the Company from the macro-economic environment and to decide on the way forward.

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

The Annual Board meeting and subcommittee meeting calendar is circulated to the Board well in advance. The Directors are well prepared for the board meetings and actively participate in board decisions.

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

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

Details of Board meeting Attendance

Name of the Director	Directorship Status	Year of Appointment	Tenure on the Board (Years)	Eligibility	Attendance
Mr. Sanjeev Gardiner	Non-Independent Executive	2005	20+ years	02	02
Mr. C. Shalike Karunasena*	Non-Independent Executive	2024	1+ year	02	02
Mr. Priyantha. P. Maddumage	Non-Independent Non Executive	2005	20+ years	02	00
Mr. Pradeep Nilanga Dela	Non-Independent, Non-Executive	2006	19+ years	02	00
Mr. Lakshman Samarasinghe** (demised)	Non-Independent, Executive	2005	18+ years	00	00
Mr. Indrajith Fernando***	Independent Non-Executive	2024	<1 year	01	01
Mr. Nirmal De Soysa Cooke****	Independent Non-Executive	2025	<1 year	01	01
Mr. Jayampathy Charitha Ratwatte*****	Non Independent Non-Executive	2002	24+ years	01	01
Mr. Ranjith Gunatilleke*****	Non Independent Non-Executive	2011	14+ years	01	01
Mr. Sarath Chandra Mohotti*****	Non Independent Non-Executive	2004	21+ years	01	01
Mr. Nahil Wijesuriya******	Non Independent Non-Executive	2002	21+ years	00	00

* Appointed on 02nd August 2024.
** Deceased on 10th April 2024.
*** Appointed on 20th December 2024.
****Appointed on 10th February 2025.
***** Resigned on 10th February 2025.
****** Resigned on 16th August 2024

Duties and Responsibilities of the Board of Directors

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

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

The Chairman of the Board

The Chairman's primary role is to lead the Board to ensure that it effectively functions in achieving the strategic direction. Currently, the company does not have a Chief Executive Officer (CEO), and the Chairman plays an executive role. The Chairman ensures that there is a proper balance between non-executive directors and executive directors. The hotels of the group are managed and operated by Galle Face Group (Pvt) Ltd., an affiliate of the Company.

Senior Independent Director

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

This position aims to enhance the independent element of the Board of Directors, ensuring that board members maintain independent judgment and objectivity in all deliberations and that decisions are made in the best interest of the company. The profile of the SID is provided on page 6 and the explanatory report by the SID demonstrating the effectiveness of his duties is on page 35.

Managing Conflicts of Interest

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

Board Sub- Committees

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

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

The composition of committees as at 31st March 2025 is shown below.

Board Sub-Committees for the Company.

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

COMPANY SECRETARIES

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

SHAREHOLDER RELATIONS

The Annual General Meeting (AGM) is the main platform for the Shareholders to raise queries from the Board. AGM notices and the Annual Report are uploaded to CSE website and the Corporate website of the Company and shareholders are encouraged to use the virtual AGM constructively to discuss the matters. There were no major or material transactions entered into or proposed to be entered into by the Company during the period under review.

ACCOUNTABILITY AND AUDIT

The Board has the task of presenting a balanced and understandable assessment of the company's performance, financial position and outlook. Directors declaration on the preparation of financial statements are given on page 18 of this report.
The Board of Directors accepts the responsibility for the preparation of the financial statements, maintaining adequate records for safeguarding the assets of the Company, and preventing and detecting fraud and/or other irregularities.

The Board of Directors also confirms that the applicable Sri Lanka Accounting Standards have been adhered to, subject to any material departures being disclosed and explained in the notes to the financial statements.

The Board of Directors further confirms that suitable accounting policies consistently applied and supported by reasonable and prudent judgment and estimates, have been applied in the preparation of the financial statements.

They further confirm that all known statutory payments have been paid up to date and all retirement gratuities have been provided for in the financial statements. At the same time, all payments made to related parties have been reflected in the financial statements.

At all Audit Committee meetings and Board meetings, statutory compliance statements showing extent to which the company is compliant with the rules and regulations are circulated among the Directors for information of the Board. All the Board members have access to the advice of the Company Secretary, Deloitte Corporate Services (Private) Limited who acts as the registered company secretaries to the company.

The Board of Directors are satisfied that the Company is a going concern and has adequate resources to continue in business for the foreseeable future. For this reason, the Company follows the "going concern" basis when preparing financial statements.

The Board is responsible for ensuring that the Company has adequate and effective internal controls in place.

CORPORATE GOVERNANCE COMPLIANCE DISCLOSURES

The tables shown here summarise the Company's level of compliance with the regulatory requirements.

DECLARATIONS BY BOARD AND GOVERNANCE DISCLOSURES

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

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

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

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

Section Reference	Requirement	Annual Report Reference	Status of Compliance
168 (1) (a)	The nature of the business of the Group and the Company together with any change thereof during the accounting period	Annual Report of the Board of Directors	Complied
168 (1) (b)	Signed Financial Statements of the Group and the Company for the accounting period completed	Financial Statements	Complied
168 (1) (c)	Auditors' Report on Financial Statements of the Group and the Company	Independent Auditors' Report	Complied
168 (1) (d)	Accounting Policies and any changes made during the accounting period	Notes to the Financial Statements	Complied
168 (1) (e)	Particulars of the entries made in the Interests Register during the accounting period	Annual Report of the Board of Directors	Complied
168 (1) (f)	Remuneration and other benefits paid to Directors of the Company during the accounting period	Notes to the Financial Statements	Complied

Section Reference	Requirement	Annual Report Reference	Status of Compliance
168 (1) (g)	Corporate donations made by the Company during the accounting period	Notes to the Financial Statements	Complied
168 (1) (h)	Information on the Directorate of the Company and its Subsidiaries during and at the end of the accounting period	Annual Report of the Board of Directors	Complied
168 (1) (i)	Amounts paid/payable to the External Auditor as audit fees and fees for other services rendered during the accounting period	Notes to the Financial Statements	Complied
168 (1) (j)	Auditors' relationship or any interest with the Company and its Subsidiaries	Annual Report of the Board of Directors	Complied
168 (1) (k)	Acknowledgement of the contents of this Report and Signatures on behalf of the Board	Annual Report of the Board of Directors	Complied

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

	Requirement	Reference
(i)	Names of persons who were Directors of the Entity	Page 13
(ii)	Principal activities of the entity and its subsidiaries during the year, and any changes therein	Page 53 and 54
(iii)	The names and the number of shares held by the 20 largest holders of voting and non-voting shares and the percentage of such shares held	Page 124
(iv)	The public holding percentage	Page 123
(v)	A statement of each Director's holding and Chief Executive Officer's holding in shares of the Entity at the beginning and end of each financial year	Page 122
(vi)	Information pertaining to material foreseeable risk factors of the Entity and details of material issues pertaining to employees and industrial relations	Pages 10
(vii)	Details of material issues pertaining to employees and industrial relations of the Entity.	Page 10
(viii)	Extents, locations, valuations and the number of buildings of the Entity's land holdings and investment properties	Pages 82 to 84
(ix)	Number of shares representing the Entity's stated capital	Page 122
(x)	A distribution schedule of the number of holders in each class of equity securities, and the percentage of their total holdings	Page 122
(xi)	Financial ratios and market price information	Pages 2 and 123
(xii)	Significant changes in the Company's or its subsidiaries' fixed assets, and the market value of land, if the value differs substantially from the book value as at the end of the year	Pages 78 to 84
(xiii)	Details of funds raised through a public issue, rights issue and a private placement during the year	N/A
(xiiv)	Information in respect of Employee Share Ownership or Stock Option Schemes	N/A
(xv)	Disclosures pertaining to Corporate Governance practices in terms of Section 9 of the Listing Rules	Pages 26 to 34
(xvi)	Related Party transactions exceeding 10 percent of the equity or 5 percent of the total assets of the Entity as per audited financial statements, whichever is lower	Pages 111 to 112

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

Ref. Rule	Disclosure Requirement	Status of Compliance	Comment / Reference
9.6.3. and 9.6.4	Statement confirming the extent of compliance with the Corporate Governance Rules	Complied	The extent of compliance with Section 9 of the Listing Rules of the Colombo Stock exchange on Corporate Governance Rules is given is this table.
9.2.1	Listed Company shall establish and maintain the following policies and disclose the fact of existence of such policies together with the details relating to the implementation of such policies by the Company on its website; a. Policy on the matters relating to the Board of Directors b. Policy on Board Committees c. Policy on Corporate Governance, Nominations and Re-election d. Policy on Remuneration e. Policy on Internal Code of Business conduct and Ethics for all Directors and employees, including policies on trading in the Entity's listed securities f. Policy on Risk management and Internal controls g. Policy on Relations with Shareholders and Investors h. Policy on Environmental, Social and Governance Sustainability i. Policy on Control and Management of Company Assets and Shareholder Investments j. Policy on Corporate Disclosures k. Policy on Whistleblowing l. Policy on Anti-Bribery and Corruption	Complied	The Company has formulated the policies.
9.2.2	Any waivers from compliance with the Internal Code of business conduct and ethics or exemptions granted	Complied	N/A
9.2.3	• List of policies in place as per Rule 9.2.1, with reference to website and • Any changes to policies adopted	Complied	N/A
9.2.4	Listed Company shall make available all such policies to shareholders upon a written request being made for any such Policy	Complied	N/A
9.3.1	Listed Company shall ensure that the following Board committees are established and maintained at a minimum and are functioning effectively. The said Board committees at minimum shall include: a. Nominations and Governance Committee b. Remuneration Committee c. Audit and Risk Committee d. Related Party Transactions Review Committee	Complied	N/A

Ref. Rule	Disclosure Requirement	Status of Compliance	Comment / Reference
9.3.2	Listed Company shall comply with the composition, responsibilities and disclosures required in respect of the above Board committees as set out in these Rules	Complied	Please refer each Committee Report
9.3.3	The Chairperson of the Board of Directors of the Company shall not be the Chairperson of the Board Committees referred to in Rule 9.3.1 above	Complied	Please refer each Committee Composition
9.4.1.	Listed Company shall maintain records of all resolutions and the following information upon a resolution being considered at any General Meeting of the Company. The Company shall provide copies of the same at the request of the Exchange and/or the Securities and Exchange Commission (SEC). a. The number of shares in respect of which proxy appointments have been validly made; b. The number of votes in favour of the resolution; c. The number of votes against the resolution; and d. The number of shares in respect of which the vote was directed to be abstained	Complied	N/A
9.4.2	a. Listed Company should have a policy on effective communication and relations with shareholders and investors b. Listed Company should disclose the contact person for such communication c. The policy on relations with shareholders and investors on the process to make all Directors aware of major issues and concerns of shareholders d. Listed Entities that intend to conduct any shareholder meetings through virtual or hybrid means shall comply with the Guidelines issued by the Exchange in relation to same and published on the website of the Exchange.	Complied	N/A
9.5.1	Listed Company shall establish and maintain a formal policy governing matters relating to the Board of Directors and such policy shall include the matters listed under this Rule	Complied	N/A
9.5.2	Confirmation on compliance with the requirements of the Policy on matters relating to the Board of Directors. If non-Compliant reasons for the same with proposed remedial action	Complied	N/A
9.6.1	The Chairperson of every Listed Company shall be a Non-Executive Director and the positions of the Chairperson and CEO shall not be held by the same individual, unless otherwise a SID is appointed by such Entity in terms of Rule 9.6.3 below	Complied	Chairperson is an Executive Director hence a Senior Independent Director appointed

Ref. Rule	Disclosure Requirement	Status of Compliance	Comment / Reference
9.6.2	Where the Chairperson of a Listed Company is an Executive Director and/ or the positions of the Chairperson and CEO are held by the same individual, such Entity shall make a Market Announcement within a period of one (1) month from the date of implementation of these Rules or an Immediate Market Announcement if such date of appointment and/or combination of the said roles falls subsequent to the implementation of these Rules	Complied	Market Announcement made
9.6.3	Report of Senior Independent Director demonstrating the effectiveness of duties	Complied	Refer SID Report
9.6.4	Rationale for appointing Senior Independent Director	Complied	Refer SID Report
9.7.1	Listed Company shall take necessary steps to ensure that their Directors and the CEO are, at all times, fit and proper persons as required in terms of the Listing Rules In evaluating fitness and propriety of the persons referred in these Rules, the Company shall utilise the 'Fit and Proper Assessment Criteria' set out in Rule 9.7.3 of the Listing Rules	Complied	The Company obtained an annual declaration from the Directors confirming that they have continuously satisfied the specified Fit and Proper Assessment Criteria.
9.7.2	Listed Company shall ensure that persons recommended by the Nominations and Governance Committee as Directors are fit and proper as required in terms of these Rules before such nominations are placed before the shareholders' meeting or appointments are made	Complied	N/A
9.7.3	A Director or the CEO of a Listed Company shall not be considered as 'fit and proper' if she or he does not meet with the fit and proper assessment criteria specified under "Honesty, Integrity and Reputation", "Competence and Capability" and "Financial Soundness" as set out in Rule 9.7.3 (a), (b) and (c) respectively	N/A	N/A
9.7.4	Listed Company shall obtain declarations from its Directors and CEO on an annual basis confirming that each of them have continuously satisfied the Fit and Proper Assessment Criteria set out in the Listing Rules during the financial year concerned and satisfies the said criteria as at the date of such confirmation	Complied	N/A
9.7.5	a. Statement on Directors and CEO satisfying Fit and Proper Assessment Criteria b. Any non-compliance/s and remedial action taken	Complied	N/A
9.8.1	The Board of Directors of a Listed Company shall, at a minimum, consist of five (05) Directors	Complied	Refer Board Composition

Ref. Rule	Disclosure Requirement	Status of Compliance	Comment / Reference
9.8.2	Minimum Number of Independent Directors: m. The Board of Directors of a Listed Company shall include at least two (2) Independent Directors or such number equivalent to one third (1/3) of the total number of Directors of the Company at any given time, whichever is higher n. Any change occurring to this ratio shall be rectified within ninety (90) days from the date of the change	Complied	N/A
9.8.3	A Director shall not be considered independent if he/she does not meet the criteria for determining independence as set out in Rule 9.8.3 of the Listing Rules	Complied	N/A
9.8.5	a. Each Independent Director to submit a signed and dated declaration annually of his or her "independence" or "non-independence" against the criteria specified herein and in the format in Appendix 9A, containing at a minimum the content prescribed therein. b. Make an annual determination as to the "independence" or "non-independence" of each Independent Director based on the Directors' declaration and other information available to it and shall set out the names of Directors determined to be 'independent' in the Annual Report c. If the Board of Directors determines that the independence of an Independent Director has been impaired against any of the criteria set out in Rule 9.8.3, it shall make an immediate Market Announcement thereof	Complied	Signed declaration received from all the Directors. Directors who failed to full fill the independence criteria were identified as Non-Independent Directors
9.9	If a Listed Company provides for the appointment of Alternate Directors, it shall be required to comply with the requirements set out in Rule 9.9 of the Listing Rules and such requirements shall also be incorporated into the Articles of Association of the Company	N/A	N/A
9.10.1	Listed Company shall disclose its policy on the maximum number of directorships it's Board members shall be permitted to hold in the manner specified in Rule 9.5.1. In the event such number is exceeded by a Director(s), the Company shall provide an explanation for such non-compliance in the manner specified in Rule 9.5.2 of the Listing Rules	N/A	N/A
9.10.2	Listed Company shall, upon the appointment of a new Director to its Board, make an immediate Market Announcement setting out the following: • a brief resume of such Director; • his/her capacity of directorship; and, • Statement by the Company indicating whether such appointment has been reviewed by the Nominations and Governance Committee of the Company	Complied	Market Announcement made

Ref. Rule	Disclosure Requirement	Status of Compliance	Comment / Reference
9.10.3	Listed Company shall make an immediate Market Announcement regarding any changes to the composition of the Board Committees referred to in Rule 9.3 of the Listing Rules containing, at minimum, the details of changes including the capacity of directorship with the effective date thereof.	Complied	Market Announcement made
9.10.4	Directors details a. name, qualifications and brief profile b. nature of his/her expertise in relevant functional areas c. whether either the Director or Close Family Members has any material business relationships with other Directors d. whether Executive, Non-Executive and/or independent Director e. total number and names of companies in Sri Lanka in which the Director concerned serves as a Director and/or KMP stating whether listed or unlisted, whether functions as executive or non-executive (If the directorships are within the Group names need not be disclosed) f. number of Board meetings attended g. names of Board Committees in which the Director serves as Chairperson or a member h. Attendance of board committee meetings	Complied	N/A
9.11.1	Listed Company shall have a Nominations and Governance Committee that conforms to the requirements set out in Rule 9.11 of the Listing Rules	Complied	N/A
9.11.2	Listed Company shall establish and maintain a formal procedure for the appointment of new Directors and re-election of Directors to the Board through the Nominations and Governance Committee	Complied	N/A
9.11.3	The Nominations and Governance Committee shall have a written terms of reference clearly defining its scope, authority, duties and matters pertaining to the quorum of meetings	Complied	N/A
9.11.4	1. The members of the Nominations and Governance Committee shall; a. comprise of a minimum of three (03) Directors of the Listed Company, out of which a minimum of two (02) members shall be Independent Directors of the Company b. not comprise of Executive Directors of the Listed Company. 2. An Independent Director shall be appointed as the Chairperson of the Nominations and Governance Committee by the Board of Directors 3. The Chairperson and the members of the Nominations and Governance Committee shall be identified in the Annual Report of the Listed Company	Complied	Refer committee composition in Nomination Governance Committee Report
9.11.5	The functions of the Nominations and Governance Committee	Complied	Refer committee composition in Nomination Governance Committee Report

Ref. Rule	Disclosure Requirement	Status of Compliance	Comment / Reference
9.11.6	The Annual Report of Listed Entities shall contain a report of the Nominations and Governance Committee signed by its Chairperson.	Complied	Refer committee composition in Nomination Governance Committee Report
9.12.2	Listed Company shall have a Remuneration Committee that conforms to the requirements set out in Rule 9.12 of the Listing Rules	Complied	Refer Remuneration Committee report
9.12.3	The Remuneration Committee shall establish and maintain a formal and transparent procedure for developing policy on Executive Directors' remuneration and for fixing the remuneration packages of individual Directors. No Director shall be involved in fixing his/her own remuneration	Complied	Refer Remuneration Committee report
9.12.4	Remuneration for Non-Executive Directors should be based on a policy which adopts the principle of non-discriminatory pay practices among them to ensure that their independence is not impaired	Complied	Refer Remuneration Committee report
9.12.5	Remuneration Committee shall have a written terms of reference clearly defining its scope, authority, duties and matters pertaining to the quorum of meetings	Complied	Refer Remuneration Committee report
9.12.6	1. The members of the Remuneration Committee shall; a. comprise of a minimum of three (03) Directors of the Listed Company, out of which a minimum of two (02) members shall be Independent Directors of the Company b. not comprise of Executive Directors of the Listed Company 2. An Independent Director shall be appointed as the Chairperson of the Remuneration Committee by the Board of Directors.	Complied	Refer Remuneration Committee report
9.12.7	The functions of the Remuneration Committee	Complied	Refer Remuneration Committee report
9.12.8	Remuneration Committee Report shall contain the following: a. Names of chairperson and members with nature of directorship b. Remuneration Policy c. The aggregate remuneration of the Executive and Non-Executive Directors	Complied	Refer Remuneration Committee report
9.13.1	Where Listed Company does not maintain separate Committees to perform the Audit and Risk Functions, the Audit Committee of such Company shall additionally perform the Risk Functions set out in Rule 9.13 of the Listing Rules	Complied	N/A
9.13.2	The Audit Committee shall have a written terms of reference clearly defining its scope, authority and duties	Complied	Refer Audit Committee report

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

Ref. Rule	Disclosure Requirement	Status of Compliance	Comment / Reference
9.14.4	1. The Related Party Transactions Review Committee shall meet at least once a calender quarter. It shall ensure that the minutes of all meetings are properly documented and communicated to the Board of Directors. 2. The members of the Related Party Transactions Review Committee should ensure that they have, or have access to, enough knowledge or expertise to assess all aspects of proposed Related Party Transactions and where necessary, should obtain appropriate professional and expert advice from an appropriately qualified person. 3. Where necessary, the Committee shall request the Board of Directors to approve the Related Party Transactions which are under review by the Committee. In such instances, the approval of the Board of Directors should be obtained prior to entering into the relevant Related Party Transaction. 4. If a Director of a Listed Company has a material personal interest in a matter being considered at a Board Meeting to approve a Related Party Transaction as required in Rule 9.14.4(3), such Director shall not: a. be present while the matter is being considered at the meeting; and, b. vote on the matter	Complied	Refer Related Party Transaction Review Committee report
9.14.5	Review of Related Party Transactions by the Related Party Transactions Review Committee	Complied	Refer Related Party Transaction Review Committee report
9.14.6	Listed Company shall obtain Shareholder approval for the Related Party Transactions set out in Rule 9.14.6 of the Listing Rules	N/A	N/A
9.14.7	Listed Company shall make an immediate Market Announcement to the Exchange for the Related Party Transactions as set out in Rule 9.14.7 (a) and (b)	N/A	N/A
9.14.8 (1)	Related Party Disclosures Non-recurrent RPT exceeding 10% of the Equity or 5% of the Total Assets, whichever is lower (in the specified format)	N/A	N/A
9.14.8 (2)	Recurrent RPT exceeding 10% of the gross revenue/income (in the specified format)	N/A	N/A
9.14.8 (3)	Related Party Transactions Review Committee Report • Names of the Directors comprising the Committee • Statement that committee has reviewed RPTs and communicated comments/observations to the Board • Policies and procedures adopted by the Committee	Complied	Refer Related Party Transaction Review Committee report
9.14.8 (4)	Affirmative declaration by the Board of Directors on compliance with RPT Rules or negative statement to that effect	N/A	N/A

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

STATEMENT BY THE SENIOR INDEPENDENT DIRECTOR

I am pleased to present my report as the Senior Independent Director of The Kandy Hotels Co. (1938) PLC. I was appointed as the Senior Independent Director (SID) of The Kandy Hotels Co. (1938) PLC, effective 10th February 2025, in accordance with Rule 9.6.3 (a) of the Listing Rules of Colombo Stock Exchange as a result of the Chairman of the Company being an Executive, Non-Independent Director and former SID's Mr. Jayampathy Charitha Ratwatte has not fulfilled the criteria of Independence status which necessitated my appointment as SID. It is and has been a privilege to serve in this role, overseeing independent judgment and objectivity in the board's deliberations.

ROLE AND RESPONSIBILITIES

In my role as Senior Independent Director, I am responsible for:

- Providing an independent perspective on board matters and supporting the chairman in ensuring effective governance.
- Leading the board evaluation process, overseeing the development of the board and its committees, and providing leadership to the Board as needed.
- Acting as a point of contact for shareholders who have concerns that cannot be resolved through normal channels and gaining a balanced understanding of shareholder issues and concerns.
- Serving as the liaison between regulators and the Board as needed.
- Independence and Conflicts of Interest: I will monitor potential conflicts of interest and ensure that any issues are addressed promptly and transparently.

I will Preside over meetings with Independent Directors of the Company at least once per year, though such a meeting did not take place during the year under review.

CONCLUSION

The Company strictly adheres to all relevant mandatory requirements while embracing voluntary guidelines and best practices in governance, thereby building stakeholder trust and ensuring integrity across all decision-making.

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

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

31st August 2025

REPORT OF THE AUDIT COMMITTEE

The Audit Committee ('the Committee') is a formally constituted sub-committee of the Board of Directors ('the Board'). It reports to and is accountable to the Board.

The role, functions and composition of the Committee are defined by the provisions set out in Rule 9.13.3 and 9.13.4 of the Listing Rules of the Colombo Stock Exchange (the 'CSE Rules') and the Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka).

COMPOSITION

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

The Audit Committee of Ceylon Hotel Corporation PLC functioned as the Audit Committee of the Company until 30th September 2024 and comprised of the following members.

1. Mr. Kuvera De Zoysa – Independent, Non-Executive Director (Ceylon Hotels Corporation PLC)
2. Mr. Mangala Boyagoda – Independent, Non-Executive Director (Ceylon Hotels Corporation PLC)
3. Mr. Kamantha Amarasekara – Independent, Non-Executive Director (Ceylon Hotels Corporation PLC)
4. Mr. Ranil Pathirana - Non-Independent, Non-Executive Director (Ceylon Hotels Corporation PLC)

Following the regulatory amendment, effective 1st October 2024, which mandates that each listed entity must establish and maintain its own Audit Committee, the Audit Committee of CHC ceased to function as the Audit Committee of KHC with effect from 30th September 2024.

In terms of Rule 9.13 of the Listing Rules of the Colombo Stock Exchange (CSE), the Audit Committee of KHC was formed w.e.f. 30th September 2024. The Audit Committee consisted of the following Members;

1. Mr. Priyantha Maddumage – Non Independent / Non-Executive Director (Chairman)
2. Mr. J. Charith Ratwatte – Independent / Non-Executive Director
3. Mr. Sarath Chandra Mohotti – Independent / Non-Executive Director

With effect from the appointment of Mr. A. Indrajith Fernando as an Independent Director to the Board, the Audit Committee was reconstituted with the following Members on 10th January 2025.

1. Mr. A. Indrajith Fernando – Independent / Non-Executive Director (Chairman)
2. Mr. P. Pushpakumara Maddumage – Non- Independent / Non-Executive Director
3. Mr. J. Charitha Ratwatte – Non-Independent / Non-Executive Director
4. Mr. S. Chandra Mohotti – Non-Independent / Non-Executive Director

Due to resignations of Mr. J. Charith Ratwatte and Mr. Sarath Chandra Mohotti, the Committee was reconstituted on 10th February 2025 and as at the reporting date, the Audit Committee consists of the following Members;

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

MEETINGS

The committee met 04 times during the financial year. Details of the attendance of the members are set out below.

Board Member	Membership status	Attendance (Attended/ Eligible to attend)
Mr. Kuvera de Zoysa	Chairman	02/02
Mr. Mangala Boyagoda	Member	02/02
Mr. Kamantha Amarasekara	Member	00/02
Mr. Ranil Pathirana	Member	01/02
Mr. Priyantha Maddumage	Chairman	01/02
Mr. J. Charith Ratwatte	Member	01/01
Mr. Sarath Chandra Mohotti	Member	00/01
Mr. Indrajith Fernando	Chairman	01/01
Mr. Nirmal De Soysa Cooke	Member	01/01

The representatives of the Company's external auditors, Messrs. Ernest & Young participated in meetings by invitation. The Group Chief Financial Officer and the Group Accountant attended the meeting by invitation. The senior management of the Company also participated in the meetings from time to time on a need basis.

The Company Secretary served as the Committee's Secretary during the year under review.

ROLES AND RESPONSIBILITIES

The Committee has written Terms of Reference (TOR) and is empowered to oversee financial reporting, internal controls, and functions relating to internal and external audits. It is regularly reviewed to ensure that new developments relating to the Committee's functions are addressed and that the same reflects the best practices of the industry at all times.

1. Financial Reporting

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

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

2. Internal Controls over Financial Reporting

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

3. External Audit

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

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

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

Messrs. Ernst & Young, Chartered Accountants were re-appointed as external auditors of the Company at the Annual General Meeting held on 26th September 2024.

Activities for the year ended March 31, 2025

The following were among the activities carried out:

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

Having reviewed the effectiveness of the external auditors, the members of the Audit Committee have concurred to recommend to the Board of Directors the re-appointment of Messrs. Ernst and Young, Chartered Accountants, as Auditors for the financial year ending March 31, 2026, subject to the approval of the shareholders at the 96th Annual General Meeting.

REPORTING TO THE BOARD

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

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

PROFESSIONAL ADVICE

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

CONCLUSION

The Committee is satisfied that the Company's accounting policies, internal controls and risk management processes are adequate to provide reasonable assurance that the financial affairs of the Company are managed in accordance with accepted accounting standards.

On behalf of the Board Audit Committee

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

31st August 2025

REPORT OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

The Related Party Transactions Review Committee ('the Committee') was established by the Board of Directors ('the Board') on 30th September 2024 in compliance with Section 9.14 of the listing rules of the Colombo Stock Exchange (the 'CSE Rules'), the Code of Best Practice on Related Party Transactions issued by the Securities and Exchange Commission of Sri Lanka (the 'SEC Code') and the Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka). The Committee is a formally constituted sub-committee of the Board and reports to the Board.

COMPOSITION

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

The Related Party Transactions Review Committee of Ceylon Hotel Corporation functioned as the Related Party Transactions Review Committee of the Company until 30th September 2024 and comprised of the following members.

1. Mr. Kuvera De Zoysa - Independent, Non-Executive Director (Ceylon Hotels Corporation PLC)
2. Mr. Mangala Boyagoda - Independent, Non-Executive Director (Ceylon Hotels Corporation PLC)
3. Mr. Kamantha Amarasekara - Independent, Non-Executive Director (Ceylon Hotels Corporation PLC)
4. Mr. Ranil Pathirana - Non-Independent, Non-Executive Director (Ceylon Hotels Corporation PLC)

Following the regulatory amendment, effective 01st October 2024, which mandates that each listed entity must establish and maintain its own Related Party Transactions Review Committee, the Related Party Transactions Review Committee of CHC ceased to function as the Related Party Transactions Review Committee of KHC with effect from 30th September 2024.

In terms of Rule 9.14 of the Listing Rules of the Colombo Stock Exchange (CSE), the Related Party Transactions Review Committee of KHC was formed w.e.f. 30th September 2024. The Related Party Transactions Review Committee consisted of the following Members;

1. Mr. J. Charith Ratwatte – Independent / Non-Executive Director (Chairman)
2. Mr. Ranjith Gunathilake – Independent / Non-Executive Director
3. Mr. Priyantha Maddumage – Non Independent / Non-Executive Director

With effect from the appointment of Mr. A. Indrajith Fernando as an Independent Director of the Company on 10th January 2025, the Related Party Transactions Review Committee was reconstituted with the following Members .

1. Mr. J. Charitha Ratwatte – Non-Independent / Non-Executive Director (Chairman)
2. Mr. M. D. Ranjith Gunathilake – Non-Independent / Non-Executive Director
3. Mr. P. Pushpakumara Maddumage – Non- Independent / Non-Executive Director
4. Mr. A. Indrajith Fernando – Independent / Non-Executive Director

Due to resignations of Mr. J. Charith Ratwatte and Mr. Ranjith Gunathilake, the Committee was reconstituted on 10th February 2025 and as at the reporting date, the Related Party Transactions Review Committee consists of the following Members;

1. Mr. Indrajith Fernando – Independent, Non-Executive Director – Chairman (appointed on 10th January 2025)
2. Mr. Priyantha Maddumage – Non-Independent, Non-Executive Director (appointed on 30th September 2024)
3. Mr. Nirmal De Soysa Cooke - Independent, Non-Executive Director (appointed on 10th February 2025)

MEETINGS

The committee met 03 times during the financial year. Details of attendance of the members are set out below.

Board Member	Membership status	Attendance (Attended/ Eligible to attend)
Mr. Mangala Boyagoda	Member	01/01
Mr. Ranil Pathirana	Member	00/01
Mr. Kuvera De Zoysa	Chairman	01/01
Mr. Kamantha Amarasekara	Member	00/01
Mr. J. Charith Ratwatte	Chairman	01/01
Mr. Ranjith Gunathilake	Member	00/01
Mr. Priyantha Maddumage	Member	01/02
Mr. Indrajith Fernando	Chairman	01/01
Mr. Nirmal De Soysa Cooke	Member	01/01

Report of the Related Party Transactions Review Committee

The Company Secretary served as the Committee's Secretary during the year under review.

ROLES AND RESPONSIBILITIES

The role and functions of the committee include the following.

1. Formulate and review the 'Related Party Transactions Policy' and review all proposed Related Party Transactions (RPTs) in compliance with the regulations.
2. Ensure that the regulations issued to compel all Related Party Transactions (RPTs) to be referred to the Committee for review.
3. To review all Related Party transactions pertaining to transfer of resources, services or obligations between the Company and a related party, regardless of whether a price is charged and making a decision if the transaction needs the approval of the Board of Directors prior to entering to the transaction.
4. Advise the Board on making immediate market disclosures and disclosures in the annual report where necessary, in respect of RPTs, in compliance with the regulatory provisions.

Accordingly, the Committee adopts the following.

- Review the Committee's Terms of Reference (TOR) on a regular basis to ensure that they represent industry best practices at all times.
- Place a sufficiently effective and efficient mechanism to collect information pertinent to its review role while ensuring that the Company does not engage in such transactions with related parties in a way that would result in a 'More Favourable Treatment'.
- Consider the interests of shareholders when RPTs are initiated.
- Implement appropriate measures and safeguards to avoid conflicts of interests that may arise from any transaction performed by the Company with any category of 'Related Parties' in accordance with regulatory requirements.
- Obtain declarations from all Directors upon joining the Board and annually thereafter, as well as to inform the Company Secretary (the primary contact point for Directors) of any existing or potential RPTs carried out by them or close family members.
- Obtain professional and expert advice, where such advice is necessary for the performance of the review function.

RECURRENT RELATED PARTY TRANSACTIONS

All recurrent related party transactions, whose aggregate value exceeds 10% of the revenue of the Company as per the audited financial statements of March 31, 2025, are disclosed under Note 33.5 to the Financial Statements as required in Section 9.14.8.2 of the listing rules.

NON-RECURRENT RELATED PARTY TRANSACTIONS

All non-recurrent related party transactions, whose aggregate value exceeds 10% of the equity or 5% of the total assets whichever is lower, of the Group as per 31st March 2025 audited financial statements, which required additional disclosures in the 2024/25 Annual Report under Colombo Stock Exchange listing Rule 9.14.8.1
The committee has reviewed the related party transactions during the year and has communicated the comments and observations to the Board of Directors. The required disclosures made under Note 33.6 to the Financial Statements.

REPORTING TO THE BOARD

The proceedings of the Committee meetings, which also included activities under its TOR, were regularly presented to the Board of Directors with comments and observations allowing board members access to the Committee's deliberations.

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

DECLARATION

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

The Directors declare that they are in compliance with Section 9.14.8.(4) of the listing rules of the CSE pertaining to Related Party Transactions during the financial year ended 31st March 2025.

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

The Committee is pleased with the Company's RPT policies and practices implemented during the financial year under consideration.

On behalf of the Related Party Transactions Review Committee

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

31st August 2025

REPORT OF THE REMUNERATION COMMITTEE

The Remuneration Committee (the 'Committee') is a formally constituted sub-committee of the Board of Directors ('the Board'). It reports to and is accountable to the Board.

COMPOSITION

The Composition of the Remuneration Committee (RC) is as follows:

The Remuneration Committee of Ceylon Hotel Corporation functioned as the Remuneration Committee of the Company until 30th September 2024 and comprised of the following members.

1. Mr. Kuvera De Zoysa – Independent, Non-Executive Director (Ceylon Hotels Corporation PLC)
2. Mr. Mangala Boyagoda – Independent, Non-Executive Director (Ceylon Hotels Corporation PLC)
3. Mr. Ranil Pathirana - Non – Independent, Non-Executive Director (Ceylon Hotels Corporation PLC

Following the regulatory amendment, effective 1st October 2024, which mandates that each listed entity must establish and maintain its own Remuneration Committee, the Remuneration Committee of CHC ceased to function as the Remuneration Committee of KHC with effect from 30th September 2024.

In terms of Rule 9.12 of the Listing Rules of the Colombo Stock Exchange (CSE), the Remuneration Committee of KHC was formed w.e.f. 30th September 2024. The Remuneration Committee consisted of the following Members;

1. Mr. J. Charith Ratwatte – Independent / Non-Executive Director (Chairman)
2. Mr. Ranjith Gunathilake – Independent / Non-Executive Director
3. Mr. Priyantha Maddumage – Non Independent / Non-Executive Director

Due to resignations of Mr. J. Charith Ratwatte and Mr. Ranjith Gunathilake, the Committee was reconstituted on 10th February 2025 and as at the reporting date, the Remuneration Committee consists of the following Members;

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

The profiles of the members are given on pages 5 to 6.

MEETINGS

The committee was formed 30th September 2024 and has had no meetings during the year under review.

Executive Directors and the Chief Financial Officer are invited to the meetings and participate in the deliberations.

No remuneration paid to the directors of the Company during the financial year under review.

ROLES AND RESPONSIBILITIES

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

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

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

REPORTING TO THE BOARD

The proceedings of the Committee meetings, which also included activities under its TOR, will be presented to the Board of Directors with comments and observations allowing board members access to the Committee's deliberations.

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

On behalf of the Board Remuneration Committee

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

31st August 2025

REPORT OF THE NOMINATION AND GOVERNANCE COMMITTEE

The Nomination and Governance Committee (NGC) will ensure a formal and transparent procedure is in place for the selection, nomination, appointment, evaluation, and re-election of Directors to the Board / Board Committees and the Chief Executive Officer.

The NGC assess whether the required balance of skills, experience, knowledge and independence is in place to enable the Board to operate effectively and this regard will maintain a set of criteria for selection of directors, including academic/ professional qualifications, skills, experience and key attributes required for eligibility, taking into consideration the nature of the business of the company and industry specific requirements

COMPOSITION OF THE COMMITTEE

The Composition of the NGC is as follows: The profiles of the members are given on pages 5 to 6.

In terms of Rule 9.11 of the Listing Rules of the Colombo Stock Exchange (CSE), the NGC of KHC was formed w.e.f. 30th September 2024. The NGC consisted of the following Members;

1. Mr. J. Charith Ratwatte – Independent / Non-Executive Director (Chairman)
2. Mr. Ranjith Gunathilake – Independent / Non-Executive Director
3. Mr. Sarath Chandra Mohotti – Independent / Non-Executive Director

Due to resignations of Mr. J. Charith Ratwatte, Mr. Ranjith Gunathilake and Mr. Sarath Chandra Mohotti, the Committee was reconstituted on 10th February 2025 and as at the reporting date, the NGC consists of the following Members;

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

REGULATIONS/RULES RELEVANT TO THE FUNCTIONS OF THE COMMITTEE

The Nomination and Governance Committee was formed in line with the Best Practices on Corporate Governance

FUNCTIONS

The functions of the Nomination Committee include:

- Board Composition: Ensure that the Board of Directors has an appropriate balance of skills, experience, and diversity to effectively fulfil its responsibilities.
- Director Selection: Identify and recommend qualified candidates for appointment to the Board and its Committees, ensuring alignment with Company's strategic goals.
- Performance Evaluation: Evaluate the performance of individual Directors and the Board as a whole and recommend actions for improvement when necessary.
- Succession Planning: Develop and oversee succession plans for Board members and key management positions to ensure continuity of leadership.
- Governance Practices: Promote best practices in corporate governance, ensuring compliance with applicable laws, regulations, and standards.
- Policy Review: Regularly review and recommend updates to governance policies, including the Company's Articles of Association and other relevant documents.
- Training and Development: Identify training and development needs for Directors and key management personnel to enhance their effectiveness.
- Ethical Standards: Ensure that high ethical standards and integrity are upheld within the Board and the Company.
- Stakeholder Engagement: Facilitate communication between the Board and stakeholders, ensuring transparency and accountability in governance practices

ACTIVITIES DURING THE YEAR

The Committee has not had any sittings during the year under review. The Committee will meet to deliberate on the re-election of Directors retiring at the upcoming Annual General Meeting, as well as to make recommendations regarding seeking an extension of the Directors' terms beyond the age limit of 70 years.

The Committee also intends to focus on succession planning for key management personnel. Additionally, the Committee plans to review the structure and composition of the Board, including the necessity for additional expertise.

POLICIES AND PROCEDURES

The Nomination Committee operates within the terms of reference as approved by the Board. As per the said terms of reference, the Committee shall consist of not less than three members, the majority of whom shall be Non-Executive Directors. The Committee shall meet at least once in a financial year and additional meetings may be called at any time at the Chairman's discretion or by a member in consultation with the Chairman.

(Sgd.)
Nirmal De Soysa Cooke
Chairman
The Nominating and Governance Committee

31st August 2025

FINANCIAL REPORTS

INDEPENDENT AUDITOR'S REPORT

Ernst & Young
Chartered Accountants
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TO THE SHAREHOLDERS OF THE KANDY HOTELS COMPANY (1938) PLC

Report on the audit of the financial statements Opinion

We have audited the financial statements of The Kandy Hotels Company (1938) PLC ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group"), which comprise the statement of financial position as at 31 March 2025, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at 31 March 2025, and their financial performance and their cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for opinion

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

Key audit matters

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

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

Key audit matters common to both Group and Company

Key audit matter	How our audit addressed the key audit matter
Revenue The Group's revenue for the year ended 31 March 2025 amounted to Rs. 1,506,059,786/-, as disclosed in Note 06 to the financial statements. The accounting policy for revenue recognition is disclosed in Note 4.10.1 to the financial statements.	Our audit procedures included the following key procedures; • assessed whether the Group's accounting policy for revenue recognition has been appropriately applied. • tested the relevant key controls over revenue. Our procedures included testing the general IT control environment. • performed analytical procedures to understand and assess the reasonableness of the reported revenues.

Partners: D K Hulangamuwa FCA FCMA LLB (London), A P A Gunasekera FCA FCMA, Ms. Y A De Silva FCA, Ms. G G S Manatunga FCA, W K B S P Fernando FCA FCMA, B E Wijesuriya FCA FCMA, R N De Saram ACA FCMA
Resident Partner: U G D I Gunasekara FCA

A member firm of Ernst & Young Global Limited

Independent Auditor's Report

Key audit matter	How our audit addressed the key audit matter
Revenue was a key audit matter due to the materiality of revenue reported for the year; and the increase of 23% it represents, over the previous year.	• tested revenue transactions to invoices and other supporting documents such as housekeeping and guest-in-house reports, guest reservation cards, etc. our procedures included testing: - revenue transactions around the year-end to determine whether transactions have been recorded in the proper period and to the proper accounts; and - Journal entries recognised to revenue We also assessed the adequacy of the related disclosures set out in notes 4.10.1 and 6.1 to the financial statements.

Key audit matter	How our audit addressed the key audit matter
Assessment of fair value of land and buildings Property, Plant and Equipment include land and buildings carried at fair value. The fair values of land and buildings were determined by an external valuer engaged by the Group. This was a key audit matter due to: • the materiality of the reported fair value of land and buildings which amounted to Rs. 9,967 Mn representing 68% of the Group's total assets as of the reporting date; and • the degree of assumptions, judgements and estimation uncertainties associated with fair valuation of land and buildings. Key areas of significant judgments, estimates and assumptions used in assessing the fair value of land and buildings, as disclosed in Note 14.4 and 4.13.1 to the financial statements, included judgements involved in ascertaining the appropriate valuation techniques and estimates such as: • Estimate of per perch value of the land • Estimate of the per square foot value of buildings. • Depreciation rate • Rate of return	Our audit procedures included the following key procedures; • Assessed the competence, capability and objectivity of the external valuer engaged by the Group. • Read the external valuer's report and understood the key estimates made and the valuation approaches taken by the valuer in determining the valuation of each property. • Assessed the reasonableness of significant assumptions, judgements and estimates made by the valuer such as per perch value, per square foot value, depreciation rate, discount rate and valuation techniques as relevant in assessing the fair value of each property. • We also assessed the adequacy of the disclosures made in Note 14.4 and 4.13.1 to the financial statements

Other Information included in the 2025 Annual Report of the Company

Other information consists of the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information.

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

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

Responsibilities of the management and those charged with governance

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

Report on other legal and regulatory requirements

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

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 4106.

Ernst & Young

31 August 2025
Kandy

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 March 2025	Note	Group 2025 Rs.	Group 2024 Rs.	Company 2025 Rs.	Company 2024 Rs.
Revenue	6	1,506,059,786	1,223,258,331	527,146,829	594,884,827
Cost of sales		(375,763,043)	(336,225,388)	(163,033,129)	(191,418,170)
Gross profit		1,130,296,743	887,032,943	364,113,700	403,466,657
Other operating income	7	16,472,187	36,304,651	1,893,848	14,832,667
Administrative expenses		(941,302,207)	(844,577,286)	(344,630,444)	(359,156,513)
Selling and marketing expenses		(84,063,860)	(70,090,040)	(24,383,149)	(28,750,418)
Other operating expenses	8	(2,699,140)	327,928	-	-
Operating profit/(loss)		118,703,723	8,998,196	(3,006,045)	30,392,393
Finance income	9.1	150,634,646	227,586,279	724,170	542,472
Finance costs	9.2	(210,287,598)	(269,757,974)	(125,840,670)	(111,634,517)
Net foreign exchange gain/(loss)		(15,125,104)	(96,002,711)	348,307	(110,493)
Share of profit of equity-accounted investees (net of tax)	19	8,389,605	28,780,029	-	-
Profit/(loss) before income tax	10	52,315,271	(100,396,181)	(127,774,238)	(80,810,145)
Income tax (expense)/ reversal	11.1	59,570,329	(19,459,543)	37,840,419	18,021,089
Profit/(loss) for the year		111,885,601	(119,855,724)	(89,933,819)	(62,789,056)
Other comprehensive income/(loss) (OCI)					
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods (net of tax):					
Revaluation of property, plant and equipment	14.3	1,047,840,066	(10,894,191)	1,047,840,066	-
Deferred tax on revaluation	29	(314,352,020)	3,268,257	(314,352,020)	-
		733,488,046	(7,625,934)	733,488,046	-
Remeasurement gain/(loss) defined benefit plans	30	(2,346,761)	(2,584,244)	(483,086)	(1,425,339)
Deferred tax on defined benefit plans	29	704,028	775,273	144,926	427,602
		(1,642,733)	(1,808,971)	(338,160)	(997,737)
Other comprehensive income that are or may be reclassified to profit or loss in subsequent periods (net of tax):					
Equity - accounted investees - share of change of other comprehensive income	19	136,246,960	(110,650,632)	-	-
Other comprehensive income/(loss) for the year, net of tax		868,092,273	(120,085,537)	733,149,886	(997,737)
Total comprehensive income/(loss) for the year, net of tax		979,977,875	(239,941,261)	643,216,067	(63,786,793)
Total comprehensive income/(loss) attributable to:					
Equity holders of the parent		979,977,875	(239,941,261)		
Non-controlling interests		-	-		
		979,977,875	(239,941,261)		
Basic/diluted earnings/(loss) per share	12	0.15	(0.17)	(0.12)	(0.09)

The accounting policies and notes set out in pages 53 to 121 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31 March 2025	Note	Group 2025 Rs.	Group Restated 2024 Rs.	Company 2025 Rs.	Company 2024 Rs.
ASSETS					
Non-current assets					
Property, plant and equipment	14	12,252,342,987	10,593,518,606	10,166,930,512	8,462,050,559
Intangible assets	15	2,840,216	2,040,024	520,301	724,609
Right-of-use assets	16.1	103,136,154	108,333,072	-	-
Investment in subsidiaries	18	-	-	4,718,064,472	4,718,064,472
Investment in joint venture	19	582,519,723	145,383,158	-	-
Advances for future share issue	20	-	-	323,000,000	-
		12,940,839,080	10,849,274,860	15,208,515,285	13,180,839,640
Current assets					
Inventories	21	132,041,160	101,974,658	81,107,143	48,917,316
Trade and other receivables	22	253,282,458	357,723,033	102,965,485	78,968,608
Income tax receivables	11.6	1,936,505	-	-	-
Advances and prepayments	23	112,945,137	26,442,210	86,917,779	15,448,749
Amounts due from related companies	33.1	51,013,934	61,823,201	9,534,816	39,184,491
Cash and cash equivalents	24	1,209,511,997	1,887,317,671	12,056,795	3,349,585
		1,760,731,191	2,435,280,773	292,582,018	185,868,749
Total assets		14,701,570,271	13,284,555,633	15,501,097,303	13,366,708,389
EQUITY AND LIABILITIES					
Equity					
Stated capital	25	2,661,816,425	2,661,816,425	2,661,816,425	2,661,816,425
Other capital reserves	26	7,370,760,904	6,589,826,030	7,137,763,086	6,477,982,237
Merger reserve	27	(1,116,643,528)	(1,116,643,528)	-	-
Retained earnings		1,147,475,002	948,469,503	1,306,515,922	1,323,118,205
Total equity		10,063,408,803	9,083,468,430	11,106,095,433	10,462,916,867
Non-current liabilities					
Interest-bearing loans and borrowings	28	720,514,574	1,043,121,002	288,426,540	447,232,011
Employee benefit obligation	30	23,730,665	15,738,570	5,944,730	4,687,336
Lease liabilities	16.2	107,392,183	107,993,762	-	-
Deferred tax liabilities	29	2,343,827,765	2,083,802,544	2,123,877,048	1,847,510,373
		3,195,465,187	3,250,655,878	2,418,248,318	2,299,429,720
Current liabilities					
Trade and other payables	31	634,310,901	337,932,169	390,446,657	112,032,836
Contract liabilities	32	12,788,415	7,248,877	12,788,415	7,248,877
Interest-bearing loans and borrowings	28	691,887,312	537,804,014	382,223,115	336,312,992
Lease liabilities	16.2	19,124,961	19,207,910	-	-
Amounts due to related companies	33.2	84,584,692	44,227,302	1,191,295,365	148,767,097
Income tax liabilities	11.6	-	4,011,053	-	-
		1,442,696,281	950,431,325	1,976,753,552	604,361,802
Total equity and liabilities		14,701,570,271	13,284,555,633	15,501,097,303	13,366,708,389
Net assets per share (Rs.)		13.34	12.04	14.72	13.87

The accounting policies and notes as set out in pages 53 to 121 form an integral part of these financial statements.
I certify that these financial statements have been prepared in compliance with the requirements of the Companies Act No. 07 of 2007.

Kowshika Vijithan
Group Accountant

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

Shalike Karunasena
Director

Indrajith Fernando
Director

31st August 2025
Colombo

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2025			Other capital reserves				
		Stated capital	Fair value reserve of financial assets at FVOCI	Revaluation reserve	Merger reserve	Retained earnings	Total equity
Group	Note	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 01 April 2023		16,750,000	131,741,321	6,998,266,956	-	871,264,555	8,018,022,833
Correction of errors		-	-	(200,977,229)	-	64,783,579	(136,193,651)
Restated balance as at 01 April 2023		16,750,000	131,741,321	6,797,289,727	-	936,048,134	7,881,829,182
Total comprehensive income							
Loss for the year		-	-	-	-	(119,855,724)	(119,855,724)
Correction of errors	19.1	-	-	-	-	44,936,434	44,936,434
Other comprehensive income							
Actuarial loss on defined benefit obligation (net of tax)		-	-	-	-	(1,808,971)	(1,808,971)
Revaluation of property , plant and equipment (net of tax)		-	-	(7,625,934)	-	-	(7,625,934)
Total comprehensive income for the year		-	-	(7,625,934)	-	(76,728,261)	(84,354,195)
Transactions with owners of the Company							
Issue of share capital		2,645,066,425	-	-	-	-	2,645,066,425
Dividends (15% cumulative preference shares)		-	-	-	-	(37,500)	(37,500)
Transfer of excess depreciation on revaluation		-	-	(89,187,131)	-	89,187,131	-
Business combination under common control		-	(131,741,321)		(1,116,643,528)		(1,248,384,849)
Total transactions with owners of the Company		2,645,066,425	(131,741,321)	(89,187,131)	(1,116,643,528)	89,149,631	1,396,644,076
Share of other comprehensive income attributable to joint venture		-	-	(110,650,632)	-	-	(110,650,632)
Balance as at 31 March 2024		2,661,816,425	-	6,589,826,030	(1,116,643,528)	948,469,503	9,083,468,430
Total comprehensive income							
Loss for the year		-	-	-	-	111,885,601	111,885,601
Other comprehensive income							
Actuarial loss on defined benefit obligation (net of tax)		-	-	-	-	(1,642,733)	(1,642,733)
Revaluation of property , plant and equipment (net of tax)		-	-	733,488,046	-	-	733,488,046
Total comprehensive income for the year		-	-	733,488,046	-	110,242,867	843,730,913
Transactions with owners of the Company							
Dividends (15% cumulative preference shares)		-	-	-	-	(37,500)	(37,500)
Transfer of excess depreciation on revaluation	26.1	-	-	(88,800,132)	-	88,800,132	-
Total transactions with owners of the Company		-	-	(88,800,132)	-	88,762,632	(37,500)
Share of change of other comprehensive income attributable to joint venture	19	-	-	136,246,960	-	-	136,246,960
Balance as at 31 March 2025		2,661,816,425	-	7,370,760,904	(1,116,643,528)	1,147,475,002	10,063,408,803

The accounting policies and notes set out in pages 53 to 121 form an integral part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

Year ended 31 March Company	Note	Stated capital Rs.	Other capital reserves Fair value reserve of financial assets at FVOCI Rs.	Other capital reserves Revaluation reserve Rs.	Retained earnings Rs.	Total equity Rs.
Balance as at 01 April 2023		16,750,000	131,741,321	6,551,689,434	1,181,493,980	7,881,674,735
Total comprehensive income						
Loss for the year		-	-	-	(62,789,056)	(62,789,056)
Other comprehensive income						
Actuarial loss on defined benefit obligation (net of tax)		-	-	-	(997,737)	(997,737)
Total comprehensive income for the year		-	-	-	(63,786,793)	(63,786,793)
Total transactions with owners of the Company						
Issue of share capital		2,645,066,425	-	-	-	2,645,066,425
Dividends (15% cumulative preference shares)			-		(37,500)	(37,500)
Transfer of excess depreciation on revaluation		-	-	(73,707,197)	73,707,197	-
Business combination under common control		-	(131,741,321)	-	131,741,321	-
Total transactions with owners of the Company		2,645,066,425	(131,741,321)	(73,707,197)	205,411,018	2,645,028,925
Balance as at 31 March 2024		2,661,816,425	-	6,477,982,237	1,323,118,205	10,462,916,867
Total comprehensive income						
Loss for the year		-	-	-	(89,933,819)	(89,933,819)
Other comprehensive income						
Actuarial loss on defined benefit obligation (net of tax)		-	-	-	(338,161)	(338,161)
Revaluation of property , plant and equipment (net of tax)		-	-	733,488,046	-	733,488,046
Total comprehensive income for the year		-	-	733,488,046	(90,271,980)	643,216,066
Transactions with owners of the Company						
Dividends (15% cumulative preference shares)		-	-	-	(37,500)	(37,500)
Transfer of excess depreciation on revaluation	26.1	-	-	(73,707,197)	73,707,197	-
Total transactions with owners of the Company		-	-	(73,707,197)	73,669,697	(37,500)
Balance as at 31 March 2025		2,661,816,425	-	7,137,763,086	1,306,515,922	11,106,095,433

The accounting policies and notes set out in pages 53 to 121 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

Year ended 31 March 2025	Note	Group 2025 Rs.	Group 2024 Rs.	Company 2025 Rs.	Company 2024 Rs.
Cash flows from/(used in) operating activities					
Loss before income tax from operations		52,315,271	(100,396,181)	(127,774,238)	(80,810,145)
Adjustments for:					
Depreciation of property, plant and equipment	14	150,886,883	136,027,699	75,784,320	75,611,875
Amortization of intangible assets	15.1	634,808	7,752,665	204,308	7,633,080
Amortization of right of use assets	16.1	5,196,918	5,196,921	-	-
Amortization of Inventories		-	566,761	-	-
Exchange loss		(9,123,684)	96,002,711	(348,307)	110,493
Interest income	9.1	(150,634,646)	(227,586,279)	(724,170)	(542,472)
Interest costs	9.2	210,287,598	269,757,974	125,840,670	111,634,517
Provision/ written off for bad and doubtful debts	22.3	-	2,306,647	-	-
Provision for amounts due from related companies	33.1.1	668,004	(3,201,336)	-	-
Write back of payables		-	(14,352,220)	-	(14,352,220)
Share of results of equity-accounted investee	19	(8,389,605)	(28,780,029)	-	-
Provision for employee benefit obligations	30	4,838,340	3,951,350	1,253,594	1,266,345
Operating profit/ (loss) before working capital changes		256,679,887	147,246,683	74,236,177	100,551,472
(Increase)/decrease in inventories		(30,066,502)	(35,583,150)	(32,189,822)	(12,242,380)
(Increase)/decrease in trade and other receivables		104,440,575	(107,278,897)	(23,648,570)	(52,050,503)
(Increase)/decrease in advances and prepayments		(86,502,927)	(8,245,513)	(71,469,039)	2,747,948
(Increase)/decrease in amount due from related parties		15,598,058	217,479,447	(293,350,323)	50,508,760
Increase/(decrease) in trade and other payable		301,880,774	124,339,452	340,519,800	46,989,923
(Increase)/decrease in amount due to related parties		40,357,390	(61,764,602)	1,042,528,269	142,300,713
Cash generated from/ (used in) operations		602,387,255	276,193,420	1,036,626,492	278,805,933
Interest paid		(74,348,321)	(76,451,847)	(125,840,670)	(19,322,365)
Income taxes paid		-	(15,933,182)	-	(15,857,564)
Employee benefit obligations paid	30	(4,598,844)	(2,931,020)	(479,287)	(2,080,831)
Net cash generated from/ (used in) operating activities		523,440,090	180,877,371	910,306,535	241,545,173
Cash flows from/ (used in) investing activities					
Interest income received		150,634,646	89,834,499	724,170	18,746
Purchase of property, plant and equipment	14	(761,922,159)	(333,351,286)	(732,824,209)	(25,957,164)
Purchase of intangible assets	15.1	(1,435,000)	(1,435,000)	-	-
Investment in joint venture	19	(292,500,000)	-	-	-
Acquisition through business combinations		-	2,320,706,604	-	-
Net cash from/(used in) investing activities		(905,222,513)	2,075,754,817	(732,100,039)	(25,938,419)
Cash flows from/ (used in) financing activities					
Repayment of borrowings	28.3	(396,795,049)	(431,720,548)	(240,990,579)	(226,984,659)
Payment of principal portion of lease liabilities	16.1	(17,151,682)	(33,594,316)	-	-
Net cash generated used in financing activities		(413,946,731)	(465,314,864)	(240,990,579)	(226,984,659)
Net decrease in cash and cash equivalents		(795,729,154)	1,791,317,324	(62,784,083)	(11,377,905)
Cash and cash equivalents at the beginning of the year		1,671,337,400	(119,979,924)	(131,301,278)	(119,923,373)
Cash and cash equivalents at the end of the year (Note a)	24	875,608,246	1,671,337,400	(194,085,361)	(131,301,278)

Note a

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

Year ended 31 March 2023	Note	Group 2025 Rs.	Group 2024 Rs.	Company 2025 Rs.	Company 2024 Rs.
Cash in hand and cash at bank		1,209,511,997	1,887,317,671	12,056,795	3,349,585
Bank overdrafts		(333,903,751)	(215,980,271)	(206,142,156)	(134,650,863)
		875,608,246	1,671,337,400	(194,085,361)	(131,301,278)

The accounting policies and notes set out in pages 53 to 121 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

1.1 General

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

1.2 Consolidated financial statements

The consolidated financial statements of the Group for the year ended 31 March 2025 comprise the Company and its Subsidiaries (together referred to as "the Group") refer to The Kandy Hotels Company (1938) PLC, Suisse Hotel (Pvt) Ltd, United Hotels Company Ltd ('UHC'), Tissa Resort (Pvt) Ltd ('TRL'), Ceylon Hotels Maldives (Pvt) Ltd ('CHML') and the Group's interest in equity-accounted investees. Suisse Hotel Kandy (Pvt) Ltd is a joint venture for the Group.

The consolidated financial statements of the Group for the year ended 31 March 2025 were authorised for issue in accordance with a resolution of the Board of Directors on 31st August 2025.

1.3 Principal Activities and nature of operations

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

1.4 Parent entity and ultimate parent entity

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

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

2. BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements of the Group and the Company have been prepared in accordance with the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, which requires compliance with Sri Lanka Accounting Standards, which comprise Sri Lanka Financial Reporting Standards (SLFRS), Sri Lanka Accounting Standards (LKAS), relevant interpretations of the Standing Interpretations Committee ('SIC') and International Financial Reporting Interpretations Committee ('IFRIC') and with the requirements of the Companies Act No. 7 of 2007.

2.2 Basis of measurement

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

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

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

2.3 Functional and presentation currency

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

2.4 Comparative information

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

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

2.5 Materiality and aggregation

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

2.6 Going Concern

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

3. NEW ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS ADOPTED IN THE FINANCIAL YEAR

The following amendments and improvements are not expected to have a significant impact on the Group's financial statements.

Classification of Liabilities as Current or Non-current - Amendment to LKAS 1

Amendments to LKAS 1 relate to classification of liabilities with covenants as current or non-current. The amendments clarify that if an entity's right to defer settlement of a liability is subject to the entity complying with the required covenants only at a date subsequent to the reporting period ("future covenants"), the entity has a right to defer settlement of the liability even if it does not comply with those covenants at the end of the reporting period. The requirements apply only to liabilities arising from loan arrangements.

The amendments are effective for annual periods beginning on or after 1 January 2024.

4 SUMMARY OF MATERIAL ACCOUNTING POLICES

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

4.1 Basis of consolidation

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

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

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

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights.

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

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

Profit or loss and each component of Other Comprehensive Income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

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

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

4.2 Subsidiary

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

Subsidiary	2025	2024	Nature of the Operations
Suisse Hotel (Private) Limited	100%	100%	Investing in hotel industry
United Hotels Company Ltd	100%	100%	Business of Hotel Services
Tissa Resort (Pvt) Ltd	100%	100%	Business of Hotel Services
Ceylon Hotels Maldives (Pvt) Ltd	100%	100%	Activities of Holding Company

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

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

4.3 Business Combination and Goodwill

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

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

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

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

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

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

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

4.4 Business combinations under common control

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

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

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

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

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

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

4.5 Investment in joint venture

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

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

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

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

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

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

Joint venture	2025	2024	Nature of the Operations
Suisse Hotels Kandy (Pvt) Ltd	50%	50%	Operation of Hotel services

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

4.6 Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

4.7 Foreign currency translations

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

4.8 Current versus non-current classification

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

An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in a normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent, unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when it is:

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

The Group classifies all other liabilities as non-current.

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

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

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

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

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

4.9.1. As a lessee

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

(a) ROU assets

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

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

(b) Lease liabilities

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

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

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

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

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

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

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

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

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

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

4.9.2. Short-term leases and leases of low-value assets

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

4.9.3. Lease modifications

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

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

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

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

a) allocate the consideration in the modified contract

b) determine the lease term of the modified lease

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

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

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

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

4.10 STATEMENT OF PROFIT OR LOSS

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

4.10.1 Revenue recognition

Revenue from contracts with customers

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

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

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

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

a) Room Revenue

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

b) Food and beverage revenue

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

c) Interest income

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

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

d) Rental income, other income and gains

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

Contract balances

• Contract Liabilities

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

Contract liabilities are recognised as revenue when the entity performs under the contract.

- Contract Cost Assets

The costs that are directly related to the acquisition and fulfilment of customer contracts are recognised as contract cost assets and amortised on a systematic basis that is consistent with the fulfilment of the performance obligation. The Group has elected the practical expedient to recognise contract cost assets incurred related to contracts with an amortisation period of less than one year as an expense when incurred.

A contract asset is initially recognised for revenue earned from room sales because the consideration is receiving at the departure of the guests. Upon departure of guests, the amount recognised as contract assets is reclassified to trade receivables.

4.10.2 Expenses

All expenditure incurred in the running of the business has been charged to income in arriving at the profit for the year.

Repairs and renewals are charged to the statement of Profit or Loss in the year in which the expenditure is incurred.

4.10.3 Finance income and Finance costs

Finance income comprises interest income on funds invested in fixed deposits, saving accounts and intercompany loans. Interest income is recognised as it accrues in the statement of Profit or Loss based on EIR.

Finance costs comprise interest expense on loans and borrowings. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

4.10.4 Tax expense

Tax expense for the period comprises current and deferred income tax. The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. The Group and the Company measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of uncertainty.

The profits and income of the Company, its subsidiaries, and equity-accounted investees which are resident in Sri Lanka is calculated in accordance with the Inland Revenue Act No. 24 of 2017 amendment Act No. 45 of 2022 and its amendments thereto.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor the taxable profit or loss.
- In respect of taxable temporary differences associated with investments in the subsidiary and the joint venture when the timing of the reversal of the temporary differences can be controlled, and it is probable that the temporary differences will not reverse in the foreseeable future.
- Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:
- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor the taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiary and joint venture deferred tax assets, they are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction, either in other comprehensive income or directly in equity.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed.

Tax withheld on dividend income from the subsidiary is recognised as an expense in the consolidated statement of Profit or Loss at the same time as the liability to pay the related dividend is recognised.

Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax, except:

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- Receivables and payables that are stated with the amount of sales tax included

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

4.11.5 Value added Tax

Revenues, expenses and assets are recognised net of the amount of VAT except where the VAT incurred on a purchase of assets or services is not recoverable from the taxation authorities in which case the VAT is recognised as a part of the cost of the asset or part of the expense items as applicable and receivable and payable that are stated with the amount of VAT included. The amount of VAT recoverable or payable in respect of taxation authorities is included as a part of receivable and payable in the statement of financial position..

4.11.6 Social Security Contribution Levy (SSCL)

Social Security Contribution Levy shall be paid by any person carrying on the business of supplying financial services, on the liable turnover specified in the second schedule of the Social Security Contribution Levy Act No 25 of 2022, at the rate of 2.5%, with effect from 1st October 2022.

4.11.7 Segment Reporting

A segment is a distinguishable component of an enterprise that is engaged in either providing products or services (Business Segment) or in providing products or services within a particular economic environment (Geographical Segment), which is subject to risks & rewards that are different from those of the segment. However, there are no distinguishable components to be identified as segments for the Company or Group.

4.11.8 Earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to owners of the Group and the Company by the weighted average number of ordinary shares outstanding during the financial year.

For the diluted earnings per share calculation, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares.

4.12 Fair value measurement

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

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

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

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

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

The Group measures Land and Buildings and investment in equity shares at fair value. Fair value related disclosures for financial and non-financial assets that are measured at fair value are summarised in the following notes:

- Land and Buildings under revaluation model Note 14

The determination of fair value for financial assets and financial liabilities for which there is no observable market price requires the use of valuation techniques. The Group and the Company measure fair values using the following fair value hierarchy that reflects the significance of inputs used in making the measurements.

- Level 1 — Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 — Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from price)
- Level 3 — Inputs for the asset or liability that are not based on observable market data (that is unobservable inputs.)

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

The Group's management determines the policies and procedures for recurring fair value measurement, such as for lands and buildings and Investments in unquoted equity shares.

4.13 Assets and bases of their valuation

4.13.1 Property, plant and equipment

4.13.1.1Recognition and measurement

(a) Cost and revaluation

Property, Plant and equipment (other than land and buildings) is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Historical costs include expenditure that is directly attributable to the acquisition including the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

The carrying amount of any component accounted for as a separate asset is derecognised when replaced.

All other repair and maintenance are charged to the statement of profit or loss during the reporting period which they are incurred.

Land and buildings are measured at fair value less accumulated depreciation on buildings and impairment losses recognised at the date of revaluation. Revaluation of land is done with sufficient frequency to ensure that the carrying amount of the land does not differ materially from its fair value and is undertaken by professionally qualified valuers.

A revaluation surplus is recorded in OCI and credited to the asset revaluation surplus in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in profit or loss, the increase is recognised in profit and loss. A revaluation deficit is recognised in the statement of profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation surplus.

An annual transfer from the asset revaluation surplus to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation surplus relating to the particular asset being sold is transferred to retained earnings.

Upon disposal, any revaluation surplus relating to the particular asset being sold is transferred to retained earnings.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognised.

(b) Depreciation and residual value

Depreciation of asset begins when it is available for use. Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost, net of their residual values over the estimated useful lives or in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term as follows:

The estimated useful lives of property, plant and equipment have been revised with effect from 1st April 2023 and necessary adjustments to financial statements have been made prospectively.

Revised estimated useful lives of significant items of Property, Plant and Equipment are as follows:

	Estimated useful life (in years)
Buildings	50
Sewerage plant	20
Equipment	8
Furniture and fittings	15
Motor vehicles	05
Computer equipment	03
Air conditioners	05
Generators	20
Solar power hot water system	20

Depreciation on assets under construction or capital work-in-progress commences when the assets are ready for their intended use. Depreciation on PPE ceases at the earlier of derecognition or classification as held-for-sale.

The assets' residual values, useful lives and methods of depreciation are reviewed at the end of each financial year and adjusted prospectively, if appropriate.

(c) Impairment

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

(d) Gains or losses on disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount. These are included in the statement of profit and loss.

(e) Asset exchange transaction

PPE may be acquired in exchange for a non-monetary asset or for a combination of monetary and non-monetary assets is measured at fair value unless.

- the exchange transaction lacks commercial substance; or
- the fair value of neither the assets received, nor the assets given up can be measured reliably

The acquired item is measured in this way even if the Group and the Company cannot immediately de-recognise the assets given up. If the acquired item cannot be reliably measured at fair value, its cost is measured at the carrying amount of the asset given up.

(f) Repairs and maintenance

Repair and maintenance are charged to the statement of profit or loss during the period in which they are incurred.

The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group and the Company. This cost is depreciated over the remaining useful life of the related asset.

4.13.2 Intangible assets

4.13.2.1 Basis of Recognition

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

4.13.2.2 Basis of measurement

Intangible assets acquired separately are measured at cost at initial recognition. The costs of intangible assets acquired in a business combination are their fair value as at the date of acquisition. Acquired software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful life.

Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

The useful life of intangible assets is assessed as finite.

Intangible assets with finite lives are amortised over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The useful life of intangible asset is as follows;

Computer Software	Over 5 Years

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss under the administrative expense category consistent with the function/ nature of the intangible asset. Amortisation was commenced when the assets were available for use.

Costs associated with maintaining software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the software product so that it will be available for use.
- Management intends to complete the software product and use or sell it.
- There is an ability to use or sell the software product.
- It can be demonstrated how the software will generate probable future economic benefits.
- Adequate technical, financial, and other resources to complete the development and to use or sell the software product are available; and
- The expenditure attributable to the software product during its development can be reliably measured.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

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

4.13.3 Investment in subsidiaries

In the Company's separate financial statements, investments in subsidiaries stated at cost less accumulated impairment losses. When an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount.

On disposal of investment in subsidiaries, the difference between disposal proceeds and the carrying amount of the investments are recognised in comprehensive income. Disposal related costs are expensed as incurred.

4.13.4 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis (i.e., food and beverages, housekeeping, maintenance and other) and comprises all expenses incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale. In arriving at the net realisable value, due allowance is made for all obsolete and slow-moving items.

4.13.5 Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within a year and therefore all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, where they are recognised at fair value. They are subsequently measured at amortised costs using the effective interest rate method, less loss allowance.

Other receivables generally arise from transactions outside the usual operating activities of the Group and the Company.

4.13.6 Cash and cash equivalents

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of presentation in the statement of cash flows, cash and cash equivalents consist of cash on hand, deposits held at call with financial institutions and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Bank overdrafts which are repayable on demand form an integral part of the Group's cash management are included as a component of cash and cash equivalents in the statement of cash flows. Bank overdrafts are included within borrowings in current liabilities in the statement of financial position.

4.13.7 Impairment of non-financial assets

The Group assesses at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an assets or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

4.13.8 Calculation of recoverable amount

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups.

4.13.9 Impairment/ reversal of impairment

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in statement of Profit or Loss. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

The impairment loss is charged to the statement of profit or loss. Any subsequent increase in recoverable amount is recognised in the statement of profit or loss.

4.14 Financial instruments – initial recognition and subsequent measurement

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

4.14.1 Financial Assets

Initial recognition and measurement

The Group and the Company classify its financial assets in the following measurement categories.

- those to be measured at cost, and
- those to be measured subsequently at fair value either through Other Comprehensive Income (OCI) or through profit or loss

The classification depends on the financial assets' contractual cash flow characteristics and the Company's and the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investment in equity instruments that are not held for trading, this will depend on whether the Group and the Company have made an irrevocable election at the time of initial recognition to account for the equity.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at the instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective of holding financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

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

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

(i) Debt Instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies the debt instruments.

a) Amortised cost: Asset that are held for collection of contractual cash flows where those cash flows represents solely the payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in the finance income using Effective Interest Rate (EIR) method. Any gain or loss arising on derecognition is recognised directly in comprehensive income and presented in other income/ (losses).

b) FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payment of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken though OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in comprehensive income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to comprehensive income and recognised in other income/ (losses). Interest income from these financial assets is included in finance income using the effective interest rate method.

c) FVTPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt instrument that is subsequently measured at FVTPL is recognised in comprehensive income and presented net within other gains/(losses) in the period in which it arises.

Financial assets at amortised cost (debt instruments)

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

The Group's financial assets at amortised cost includes cash and bank balances, trade receivables, advances and prepayments.

Financial assets at fair value through OCI (debt instruments)

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

The Group's debt instruments at fair value through OCI includes investments in quoted debt instruments included under other non-current financial assets.

The Group does not have any financial instrument under this category as at the reporting date.

(ii) Equity Instruments

The Group and the Company subsequently measure all equity instruments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to comprehensive income following the derecognition of the investment. Dividends from such investments continue to be recognised in comprehensive income as other income when the Group's right to receive payments is established. Changes in the fair value of financial assets at FVTPL are recognised in other gains/ (losses) in the statement of comprehensive income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Investments measured at FVOCI are not reported separately from other changes in fair value.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to irrevocably classify its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under LKAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled into profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessments.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value, with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and listed equity investments that the Group has not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognised as other income in the statement of profit or loss when the right of payment has been established.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets)

is primarily derecognised (i.e., removed from the Group consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired

Or

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass- through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment of financial assets

The Group and the Company assesses on a forward- looking basis the expected credit loss (ECL) associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

ECL represents a probability-weighted estimate of the difference between present value of cash flows according to the contracts and present value of cash flows the Group and the Company expect to receive, over the remaining life of the financial instruments.

The measurement of ECL reflects:

- An unbiased probability – weighted amount that is determined by evaluating a range of possible outcome;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecast of future economic conditions.

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

General 3-stage approach for Other Financial Assets – At each reporting date, the Group and the Company measures ECL through a loss allowance at an amount equal to the 12- month ECL if credit risk on a financial instrument or a group of financial instruments has not increased significantly since initial recognition. For all other financial instruments, a loss allowance at an amount equal to the lifetime ECL is required.

Based on the above process, financial assets are grouped into Stage 1, Stage 2, Stage 3 and purchased originated credit impaired (POCI), as described below.

Stage 1 – When financial assets are first recognised, the Group and the Company recognises an allowance based on 12-month ECLs. Stage 1 financial assets also include facilities where the credit risk has improved, and the financial asset has been reclassified from Stage 2.

Stage 2 – When a financial asset has shown a significant increase in credit risk since origination, the Group and the Company records an allowance for the lifetime ECLs. Stage 2 financial assets also include facilities, where the credit risk has improved, and the financial asset has been reclassified from Stage 3.

Stage 3 – Financial assets considered as credit impaired. The Group and the Company records an allowance for the lifetime ECLs.

Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit adjusted EIR. ECLs are only recognised or released to the extend that there is a subsequent change in the expected credit losses.

For trade receivables, the Group and the Company apply the simplified approach permitted by SLFRS 9, ‘Financial Instruments’, which requires expected lifetime losses to be recognised from initial recognition of the receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of customers and the corresponding historic credit losses experienced within this period. The historic loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. GDP, inflation, exchange rates, interest rates and unemployment rates are considered the most relevant factors for the Group and the Company.

Trade receivables which are in default or credit impaired or have individually significant balances, are separately assessed for ECL measurement.

4.14.2 Financial liabilities

Initial recognition and measurement

The Group and the Company classify their financial liabilities in the following categories: trade and other payables (excluding statutory liabilities), borrowings and other financial liabilities. Management determines the classification of financial liabilities at initial recognition.

Financial instruments issued by the group and the Company, that are not designated at fair value through profit or loss, are carried at amortised cost.

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

The Group's financial liabilities include trade and other payables, other current liabilities and Bank loans included in interest-bearing loans and borrowings and bank overdrafts.

Subsequent measurement

Financial liabilities are initially recognised at fair value net of transaction costs and subsequently carried at amortised cost using effective interest rate method. They are included in current liabilities, except for maturities greater than 12 months after the end of the reporting date in which they are classified as non-current liabilities.

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortised cost (loans and borrowings)

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

The amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

This category generally applies to interest bearing loans and borrowings.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

4.14.3 Offsetting of financial instruments

Financial assets and financial liabilities are offset, and the net amount is presented in the statement of financial position when there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy.

4.15 Stated Capital

(a) Classification

Ordinary shares with discretionary dividends are classified as equity. Other shares are classified as equity or liability according to the economic substance of the particular instrument. Distribution to holders of a financial instrument classified as an equity instrument is charged directly to equity.

(b) Dividends to shareholders of the Company

Dividend distribution is recognised as liability in the Company's and the Group's financial statements in the period in which the dividends are approved by the Company's shareholders. Distributions to holders of an equity instrument is recognised directly in equity.

4.16 Trade payables

Trade payables represent liabilities for goods and services provided to the Group and the Company prior to the end of financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using effective interest method.

4.17 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and redemption amount is recognised in the statement of profit or loss over the period of the borrowing using the effective interest method.

Fee paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawn down occurs. To the extend there is no evidence that some or all of the facility will be draw down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. Borrowings are classified as current liabilities unless the Group and the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(a) Borrowing costs

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. General and specific borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset.

Investment income earned on temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are expensed in the period in which they occur.

4.18 Employee benefits

a) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to Provident and Trust Funds covering all employees are recognised as an employee benefit expense in statement of Profit or Loss in the periods during which services are rendered by employees.

The Group contributes 12% and 3% of gross emoluments to employees as provident fund and trust fund contribution respectively, of basic or consolidated wage or salary of each eligible employee. The contributions are recognised as employee benefit expense when they are due. The Group and the Company have no further payment obligation once the contributions have been paid. The Company and the employees are members of these defined contribution plans.

b) Defined benefit plans

Defined benefit plan defines an amount of benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The defined benefit plan comprises the gratuity provided under the payment of Gratuity Act, No. 12 of 1983.

The liability recognised in the statement of financial position in respect of defined benefit plan is the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated annually by independent actuaries.

The present value of the defined benefit obligation is determined by discounting the estimated future cash flows using the yield rate of long-term government bonds that have terms to maturity approximating to the terms of the related defined benefit obligation.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligations and included in employee benefit expense in the statement of profit or loss. The current service cost of the defined benefit plan reflects the increase in the defined benefit obligations resulting from the employees in the current year. It is recognised in the statement of profit or loss in employee benefit expense, except where included in the cost of an asset. Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in the statement of profit or loss as past service costs.

Recognition of actuarial gains or losses

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the statement of changes in equity and the statement of financial position. The assumptions based on which the results of the actuarial valuation were determined, are included in note 30 to the financial statements.

c) Short term benefits

Wages, salaries, bonuses and non- monetary benefits that are expected to be settled in full within twelve (12) months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

4.19 Provisions

Provisions are recognised when the Group and the Company have a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

When the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

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

When there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any item included in the same class of obligations may be small.

Provisions are measured at the present value of Management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

4.20 Contingent assets and contingent liabilities

The Group and the Company do not recognise contingent assets and liabilities but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the group and the Company or present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably. However, contingent liabilities do not include financial guarantee contracts.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group and the Company. The Group does not recognise a contingent asset but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

Capital commitments and contingent liabilities of the Group are disclosed in the respective notes 35 and 34 to the financial statements respectively.

4.21 Critical accounting estimates and judgements

The preparation of financial statements in conformity with SLFRS/LKAS's requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Judgements and estimates are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Hence actual experience and results may differ from these judgements and estimates.

The Group and the Company make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period and any future periods.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

a) Fair value of land and buildings

The Group carries its land and buildings at fair value, with changes in fair value recognised in the statement of OCI. The valuer has used valuation techniques such as market values and depreciated replacement cost methods where there was a lack of comparable market data available based on the nature of the property.

The land was valued by reference to transactions involving properties of a similar nature, location and condition. The Group engaged an independent valuation specialist to determine the fair values of land and buildings as of 31 March 2025. The details of valuation techniques and significant unobservable inputs are detailed in Note 14.4.

b) Estimated useful lives of PPE and intangible assets.

The Group and the Company review annually the estimated useful lives of PPE and intangible assets based on factors such as business plan and strategies, expected level of usage. Future results of operations could be materially affected by changes in these estimates brought by changes in the factors mentioned. A reduction in the estimated useful lives of PPE and intangible assets would increase the recorded depreciation and amortization charge and decrease the carrying value.

c) Estimation of income taxes in relation to uncertain tax position

Judgement is involved in determining the Company's and the Group's provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business.

The Group and the Company recognise liabilities for tax matters based on estimates of whether additional taxes will be due. If the final outcome of these taxes result in a difference in the amounts initially recognised, such differences will impact the income tax and/ or deferred income tax provisions in the period in which such determination is made.

d) Recognition of deferred income tax assets

1. Taxes

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised.

This involves significant management judgement regarding future financial performance is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

e) Impairment of non-financial assets

The Group and the Company test annually the indicators to ascertain whether non-financial assets (including intangibles) have suffered any impairment, in accordance with the accounting policy stated in Note 18.4 to the financial statements. These calculations require the use of estimates.

f) Estimation of the defined benefit obligations

The present value of the defined benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions.

The assumptions used in determining the net cost (income) for defined benefit plan include the discount rate, future salary increase rate, mortality rate, withdrawal and disability rates and retirement age. Any changes in these assumptions will impact the carrying amount of defined benefit plan. The Group and the Company determine the appropriate discount rate at the end of each financial reporting period. This is the interest rate that should be used to determine the present value of estimated future cash outflows, expected to be required to settle the defined benefit plan. In determining the appropriate discount rate, the Group and the Company consider the interest yield of long-term government bonds that are denominated in the currency in which the benefit will be paid, and that have terms to maturity approximating the terms of the related defined benefit plan. Other key assumptions for defined benefit plan are based in part on current market conditions as disclosed in Note 30 to the financial statements.

g) Estimation of provisions

The Group and the Company recognise provisions when they have a present legal or constructive obligation arising as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. The recording of provisions requires the application of judgements about the ultimate resolution of these obligations. As a result, provisions are reviewed at the end of each financial reporting period and adjusted to reflect the Company's and the Group's current best estimate.

h) Estimation of contingent liabilities

Determination of the treatment of contingent liabilities in the financial statement is based on the management's view of the expected outcome of the applicable contingency. The Group and the Company consult legal counsel on matters related to litigation and other experts both within and outside the Group and the company with respect to matters in the ordinary course of business.

i) Impairment of financial assets

The loss allowance for financial assets is based on assumptions about risk of default and expected loss rates. The Group and the Company use judgements in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's and the Group's history and existing market conditions, as well as forward-looking estimates at the end of each reporting period.

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns. Management considered 100% ECL for debtors aged more than 180 days in determining the provision matrix for ECL.

The provision matrix is initially based on the Group's historical observed default rates. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

5 NEW ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS ISSUED BUT NOT EFFECTIVE AS AT REPORTING DATE

The new and amended standards and interpretations that are issued up to the date of issuance of the Company's financial statements but are not effective for the current annual reporting period, are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

SLFRS 17 Insurance Contracts

SLFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, SLFRS 17 will replace SLFRS 4 Insurance Contracts (SLFRS 4) that was issued in 2005. SLFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. The core of SLFRS 17 is the general model, supplemented by:

' - A specific adaptation for contracts with direct participation features (the variable fee approach)

' - A simplified approach (the premium allocation approach) mainly for short-duration contracts

SLFRS 17 is effective for annual reporting periods beginning on or after 1 January 2026, with comparative figures required. Early application is permitted, provided the entity also applies SLFRS 9 and SLFRS 15 on or before the date it first applies SLFRS 17.

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

Lack of exchangeability – Amendments to LKAS 21

The amendments specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking.

The amendments also require disclosure of information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows.

The amendments will be effective for annual reporting periods beginning on or after 1 January 2025. Early adoption is permitted, but will need to be disclosed. When applying the amendments, an entity cannot restate comparative information.

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

6 REVENUE

Year ended 31 March	Group 2025 Rs.	Group 2024 Rs.	Company 2025 Rs.	Company 2024 Rs.
Revenue from contracts with customers (Note 6.1)	1,506,059,786	1,223,258,331	527,146,829	594,884,827
	1,506,059,786	1,223,258,331	527,146,829	594,884,827

6.1 Disaggregation of revenue from contracts with customers

The companies in the Group are primarily involved in hoteliering and generate revenue from provision of accommodation, food, beverages and other related services to customers.

Year ended 31 March	Group 2025 Rs.	Group 2024 Rs.	Company 2025 Rs.	Company 2024 Rs.
Business lines				
Room revenue	773,342,818	602,373,692	221,063,113	250,935,822
Food and beverage revenue	676,210,852	582,860,834	264,816,339	308,896,057
Other revenue	56,506,116	38,023,805	41,267,377	35,052,948
Total revenue	1,506,059,786	1,223,258,331	527,146,829	594,884,827
Timing of revenue recognition				
Products and services transferred over time	773,342,818	602,373,692	221,063,113	250,935,822
Products and services transferred at a point in time	732,716,968	620,884,639	306,083,716	343,949,005
Total revenue	1,506,059,786	1,223,258,331	527,146,829	594,884,827

7 OTHER OPERATING INCOME

Year ended 31 March	Group 2025 Rs.	Group 2024 Rs.	Company 2025 Rs.	Company 2024 Rs.
Sundry income	16,472,187	36,304,651	1,893,848	14,832,667
	16,472,187	36,304,651	1,893,848	14,832,667

Other operating income of the Group and the Company consist of sundry income.

8 OTHER OPERATING EXPENSES

Year ended 31 March	Group 2025 Rs.	Group 2024 Rs.	Company 2025 Rs.	Company 2024 Rs.
Provision for obsolete and slow moving stocks	2,031,136	566,761	-	-
Impairment provision/(reversal) on amounts due from related companies	668,004	(3,201,336)	-	-
Provision for trade and other receivables	-	2,306,647	-	-
	2,699,140	(327,928)	-	-

9 FINANCE INCOME AND COSTS

		Year ended 31 March	Group 2025 Rs.	Group 2024 Rs.	Company 2025 Rs.	Company 2024 Rs.
9.1	Interest income on:					
		Saving accounts and fixed deposits	56,974,893	141,920,850	16,170	18,746
		Short term instruments	-	58,220,371	-	-
		Intercompany loans	93,659,753	27,445,058	708,000	523,726
	Finance income		150,634,646	227,586,279	724,170	542,472
9.2	Interest expenses on:					
		Bank overdrafts	70,981,472	74,601,518	13,073,352	18,447,482
		Bank loans	119,472,123	176,743,404	56,603,937	92,312,153
		Bank leases	16,467,154	16,562,724	-	-
		Intercompany loans	-	-	54,493,438	-
	Bank charges		3,366,849	1,850,328	1,669,943	874,882
	Finance costs		210,287,598	269,757,974	125,840,670	111,634,517

10 PROFIT/(LOSS) BEFORE TAX

	Year ended 31 March	Group 2025 Rs.	Group 2024 Rs.	Company 2025 Rs.	Company 2024 Rs.
	Profit/(Loss) before income tax is stated after charging all expenses including the following:				
	Auditors' remuneration				
	- Statutory audit	2,908,768	2,519,000	1,148,090	1,170,000
	- Non audit services	360,000	360,000	360,000	360,000
	Staff costs (Note 10.1)	360,547,186	257,767,628	141,023,461	100,367,431
	Depreciation on property, plant and equipment (Note 14)	150,886,883	136,027,699	75,784,320	75,611,875
	Amortization of intangible assets (Note 15.1)	634,808	7,752,665	204,308	7,633,080
	Amortization of right of use assets (Note 16.1)	5,196,918	5,196,921	-	-
	Provision for impairment of trade receivables (Note 22.3)	(218,898)	2,306,647	-	-
	Donations	93,624	237,562	61,296	-
	Management fees	35,445,843	60,792,313	6,257,714	29,593,224
	Professional fees	3,368,353	2,162,898	482,145	695,644
	Legal fees	6,860,037	10,961,968	1,605,867	304,301
10.1	**Staff costs**				
	- Wages, salaries and staff expenses	238,258,785	167,050,144	93,783,841	65,666,128
	- Defined contribution plans - EPF and ETF	21,026,118	15,231,458	8,892,684	6,930,837
	- Defined benefit obligation cost - retiring gratuity (Note 30.1)	4,838,341	3,951,350	1,253,594	1,266,345
	- Other staff expenses	96,423,942	71,534,676	37,093,342	26,504,121
		360,547,186	257,767,628	141,023,461	100,367,431

11 INCOME TAX EXPENSE/ (REVERSALS)

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

	Group		Company	
Year ended 31 March	2025	2024	2025	2024
	Rs.	Rs.	Rs.	Rs.
Current tax				
Income tax expense for the year (Note 11.4)	-	5,947,558	-	-
Under provision/(reversal) in respect of prior years	(5,947,558)	11,932,103	-	10,964,204
	(5,947,558)	17,879,661	-	10,964,204
Deferred income tax				
Deferred tax charge/ (reversal) for the year (Note 29)	(53,622,771)	1,579,882	(37,840,419)	(28,985,293)
Income tax charge/ (reversal) for the year	(59,570,329)	19,459,543	(37,840,419)	(18,021,089)

11.2 Amounts recognised in Other Comprehensive Income

Deferred tax				
Deferred tax charge/ (reversal) for the year (Note 29)	313,647,992	(4,043,530)	314,207,094	(427,602)
	313,647,992	(4,043,530)	314,207,094	(427,602)

11.3 Deferred Tax Charged to;

Profit or loss	(53,622,771)	1,579,882	(37,840,419)	(28,985,293)
Other Comprehensive Income				
- On revaluation (gain) / loss	314,352,020	(3,268,257)	314,352,020	-
- On actuarial gain	(704,028)	(775,273)	(144,926)	(427,602)
Total deferred tax charge/ (reversal)	260,025,221	(2,463,648)	276,366,675	(29,412,895)

Applicable Income Tax Rates

a). The income tax provision of The Kandy Hotels Company (1938) PLC, its subsidiaries, and equity-accounted investees which are resident in Sri Lanka is calculated in accordance with the Inland Revenue Act No. 24 of 2017 amendment, Act No. 45 of 2022 and its amendments thereto.

(b). The Subsidiaries, being Companies engaged in the promotion of tourism is liable for tax at a standard rate of 30% in terms of the Inland Revenue Act No. Act No. 45 of 2022 and its amendments thereto.

11.4 Reconciliation between accounting profit and income tax on current year profit

Year ended 31 March	Group 2025 Rs.	Group 2024 Rs.	Company 2025 Rs.	Company 2024 Rs.
Accounting profit/(loss) before tax	52,315,271	(100,396,181)	(127,774,238)	(80,810,145)
Share of profit/(loss) of joint venture	(8,389,605)	(28,780,029)	-	-
Other consolidation adjustments	(7,963,954)	(7,963,954)	-	-
	35,961,712	(137,140,164)	(127,774,238)	(80,810,145)
Less: Taxable other income	(724,170)	(542,472)	(724,170)	(542,472)
Less: Non taxable income	(324,929,252)	(204,783,964)	(298,350)	(13,870,190)
Add: Adjustment on disallowed expenses	199,058,002	323,076,689	79,215,002	85,789,646
Less: Adjustments on allowable expenses	(204,764,866)	(165,926,925)	(65,030,551)	(17,193,943)
Taxable loss for the period	(295,398,573)	(185,316,836)	(114,612,307)	(26,627,104)
Adjustment of tax losses incurred	317,376,769	205,142,028		-
Taxable income/ (loss) for the year	21,978,196	19,825,192	(114,612,307)	(26,627,104)
Other sources of income				
Interest income	150,634,646	227,586,279	724,170	542,472
Less: Unrelieved losses	(150,634,646)	(227,586,279)	(724,170)	(542,472)
Taxable other income	-	-	-	-
Income tax provision for the year is made up of the following:				
- Income tax @ 24%	-	-	-	-
- Income tax @ 30%	-	5,947,558	-	-
Current income tax expense	-	5,947,558	-	-

11.5 Movement of brought forward tax losses

	Group 2025 Rs.	Group 2024 Rs.	Company 2025 Rs.	Company 2024 Rs.
Tax losses brought forward	1,296,713,402	269,077,132	293,530,071	267,445,439
Acquisition through business combinations	-	1,340,907,474	-	-
Adjustments to prior years	491,057,915	11,100,875	18,343	-
Tax losses utilised during the year	(267,905,026)	(54,881,671)	(724,170)	(542,472)
Tax losses expired during the year	(420,402,877)	(509,146,443)	-	-
Tax losses incurred during the year	279,975,850	239,656,035	114,612,307	26,627,104
Tax losses carried forward	1,379,439,264	1,296,713,402	407,436,551	293,530,071

11.6 Income Tax Liability / (receivable)

Year ended 31 March	Group 2025 Rs.	Group 2024 Rs.	Company 2025 Rs.	Company 2024 Rs.
Balance at the beginning of the year	4,011,053	4,893,360	-	4,893,360
Acquisition through business combinations	-	(1,306,668)	-	-
Income tax charge during the year	-	5,947,558	-	-
Under provision in respect of previous years	(5,947,558)	10,964,204	-	10,964,204
Payments made during the year	-	(15,933,181)	-	(15,857,564)
Adjustment of tax refund	-	(554,219)	-	-
Balance at the end of the year	(1,936,505)	4,011,053	-	-

12 EARNINGS/(LOSS) PER SHARE AND DIVIDENDS

(a) Basic earning/(loss) per share

Basic earnings/(loss) per ordinary share has been calculated by dividing the profit/(loss) attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

As at 31 March	Group 2025 Rs.	Group 2024 Rs.	Company 2025 Rs.	Company 2024 Rs.
Amount used as the numerator				
Profit/(loss) attributable to equity holders of the Company	111,885,601	(119,855,724)	(89,933,819)	(62,789,056)
Less : Preference share dividend	(37,500)	(37,500)	(37,500)	(37,500)
Profit/(loss) attributable to ordinary shareholders	111,848,101	(119,893,224)	(89,971,319)	(62,826,556)
Amounts used as the denominator :				
Weighted average number of ordinary shares	754,309,253	703,585,287	754,309,253	703,585,287
Basic earnings/(loss) per share (Rs.)	0.15	(0.17)	(0.12)	(0.09)

(b) Diluted loss per share

Diluted earnings/(loss) per share is calculated by dividing the net profit/(loss) for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year after adjustment for the effects of all dilutive potential ordinary shares.

As at 31st March 2025 & as at 31st March 2024 there were no dilutive potential ordinary shares. Hence diluted earnings/(loss) per share is same as basic earnings/(loss) per share.

(c) Dividends

The Company has not declared dividends for the financial year.

13 FAIR VALUE MEASUREMENT

13.1 Group

The determination of fair value for financial assets and financial liabilities for which there is no observable market price requires the use of valuation techniques. The Group and the Company measure fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

The following table represents the fair value of the financial and non- financial assets and liabilities that are measured at fair value at the end of the reporting period.

			Fair value measurement using		
	Date of valuation	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets measured at fair value:					
As at 31 March 2025					
Non financial assets					
Freehold land and buildings (Note 14)	31 March 2025	9,967,600,002	-	-	9,967,600,002
Non financial assets as at 31 March 2025		9,967,600,002	-	-	9,967,600,002
As at 31 March 2024					
Non financial assets					
Leasehold buildings (Note 14)	31 March 2024	10,200,804,365	-	-	10,200,804,365
Non financial assets as at 31 March 2024		10,200,804,365	-	-	10,200,804,365

13.1.1 Freehold lands and buildings of the Company were revalued by an independent professional valuer Mr. S. Sivaskantha, F. I .V. (Sri Lanka) of Perera Sivaskantha & Company, Incorporated valuers, on the basis of Market Approach as at 31st March 2025.

Buildings on leasehold land of the Group were revalued on the basis of Market Approach as at 31st March 2024.

13.1.2 The fair value measurement for the lands and buildings of the Group has been categorised as a Level 3 fair value measurement based on the inputs to the valuation techniques used.

13.2 Company

	Date of valuation	Total	Fair value measurement using Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets measured at fair value:					
As at 31 March 2025					
Non financial assets					
Freehold land and buildings (Note 14)	31 March 2025	9,967,600,002	-	-	9,967,600,002
Non financial assets as at 31 March 2025		9,967,600,002	-	-	9,967,600,002
As at 31 March 2024					
Non financial assets					
Leasehold buildings (Note 14)	31 March 2022	8,319,225,847	-	-	8,319,225,847
Non financial assets as at 31 March 2024		8,319,225,847	-	-	8,319,225,847

Financial assets

Financial assets of which carrying values are reasonable approximates its fair value

The management assessed that the fair values of cash and short-term deposits, trade and other receivables approximate their carrying amounts largely due to the short-term maturities of these instruments.

Financial liabilities

Financial liabilities of which carrying values are reasonable approximates its fair value

The management assessed that the fair values of trade payables, bank overdrafts and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The fair value of the financial assets is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

14 PROPERTY, PLANT AND EQUIPMENT

14.1 Group

14.1.1 Gross carrying amounts

	Balance as at 01.04.2024 Rs.	Additions/ transfers Rs.	Disposals/ transfers Rs.	Revaluation Rs.	Transfers from investment property Rs.	Balance as at 31.03.2025 Rs.
At cost or valuation						
Freehold land	6,235,000,004	-	-	752,654,996	-	6,987,655,000
Freehold buildings	2,172,684,230	645,041,758	(132,966,056)	295,185,070	-	2,979,945,002
Building on leasehold land	1,902,776,087	-	-	-	-	1,902,776,087
Furniture and fittings	240,050,700	57,333,005	-	-	-	297,383,705
Equipment	226,851,205	37,062,137	(238,000)	-	(58,242)	263,617,100
Computer equipment	50,326,804	8,388,289	-	-	-	58,715,093
Sewerage plant	22,124,262	-	-	-	-	22,124,262
Plant and machinery	232,207,428	22,743,065	-	-	-	254,950,493
Motor vehicles	464,000	-	-	-	-	464,000
Total value of depreciable assets	11,082,484,720	770,568,254	(133,204,056)	1,047,840,066	(58,242)	12,767,630,742
In the course of construction						
Capital work-in-progress	18,779,982	732,767,061	(741,413,155)	-	-	10,133,888
Total gross carrying amount	11,101,264,702	1,503,335,315	(874,617,211)	1,047,840,066	(58,242)	12,777,764,630

14.1.2 Accumulated Depreciation

	Balance as at 01.04.2024 Rs.	Depreciation charge for the year Rs.	Disposals Rs.	Revaluation Rs.	Transfers from investment property Rs.	Balance as at 31.03.2025 Rs.
Freehold buildings	88,458,387	44,507,669	-	(132,966,056)	-	-
Building on leasehold land	21,197,569	49,324,795	-	-	-	70,522,364
Furniture and fittings	116,718,811	14,158,367	-	-	-	130,877,178
Equipment	139,139,163	27,708,335	(245,280)	-	-	166,602,217
Computer equipment	41,639,757	3,743,118	-	-	-	45,382,875
Sewerage plant	15,486,975	2,271,952	-	-	-	17,758,927
Plant and machinery	84,641,434	9,172,647	-	-	-	93,814,081
Motor vehicles	464,000	-	-	-	-	464,000
Total accumulated depreciation	507,746,096	150,886,883	(245,280)	(132,966,056)	-	525,421,642

14.1.3 Net book value

Year ended 31 March	2025 Rs.	2024 Rs.
Freehold land	6,987,655,000	6,235,000,004
Freehold buildings	2,979,945,002	2,084,225,843
Building on leasehold land	1,832,253,723	1,881,578,518
Furniture and fittings	166,506,527	123,331,889
Equipment	97,014,882	87,712,042
Computer equipment	13,332,218	8,687,047
Sewerage plant	4,365,335	6,637,287
Plant and machinery	161,136,412	147,565,994
	12,242,209,099	10,574,738,624
In the course of construction		
Capital work-in-progress	10,133,888	18,779,982
Net book value	12,252,342,987	10,593,518,606

14.1.4 During the financial year the Group acquired and transferred property, plant and equipment to the aggregate value of Rs. 1,503,335,315/- (2024 - Rs. 333,351,286/-), cash payments amounted to Rs. 761,922,159/- were made during the year for purchase of property, plant and equipment.

14.1.5 Based on the assessment carried out internally, it has been identified that there is no permanent impairment of property, plant and equipment which require provision in the financial statements based on reassessment as at 31 March 2025.

14.1.6 There were no capitalised borrowing costs related to the acquisition of property, plant and equipment during the year (2023/2024 - nil).

14.1.7 There were no restrictions on the title of the Property, Plant and Equipment as at 31 March 2025.

14.1.8 There were no items of Property, Plant and Equipment pledged as security as at 31 March 2025 other than disclosed in Note 28.4.

14.1.9 At 31 March 2025, property, plant and equipment includes fully depreciated assets that are still in use, the cost of which amounted to Rs. 67,557,920/- (2023/2024 - Rs. 155,503,379/-).

14.2 Company

14.2.1 Gross carrying amounts

	Balance as at 01.04.2024 Rs.	Additions/ transfers Rs.	Revaluations Rs.	Disposals/ transfers Rs.	Balance as at 31.03.2025 Rs.
At cost or valuation					
Freehold land	6,235,000,004	-	752,654,996	-	6,987,655,000
Freehold buildings	2,172,684,230	645,041,758	295,185,070	(132,966,056)	2,979,945,002
Furniture and fittings	109,840,829	61,784,916	-	-	171,625,745
Equipment	96,902,590	21,178,434	-	-	118,081,024
Air conditioners	13,906,951	10,779,226	-	-	24,686,177
Generator	32,626,000	-	-	-	32,626,000
Computer equipment	32,176,900	3,516,384	-	-	35,693,284
Sewerage plant	22,124,262	-	-	-	22,124,262
Plant and machinery	12,436,980	9,303,473	-	-	21,740,453
Motor vehicles	464,000	-	-	-	464,000
Total value of depreciable assets	8,728,162,746	751,604,191	1,047,840,066	(132,966,056)	10,394,640,947
In the course of construction					
Capital work-in-progress	18,779,982	722,633,173	-	(741,413,155)	-
Total gross carrying amount	8,746,942,728	1,474,237,364	1,047,840,066	(874,379,211)	10,394,640,947

14.2.2 Accumulated Depreciation

	Balance as at 01.04.2024 Rs.	Depreciation Charge for the Year Rs.	Depreciation on revaluations Rs.	Disposals/ transfers Rs.	Balance as at 31.03.2025 Rs.
Freehold buildings	88,458,387	44,507,669	(132,966,056)	-	-
Furniture and fittings	56,539,038	6,352,230	-	-	62,891,268
Equipment	53,525,746	19,284,859	-	-	72,810,605
Air conditioners	12,602,915	430,315	-	-	13,033,230
Generator	20,417,424	1,031,781	-	-	21,449,205
Computer equipment	30,657,718	1,556,459	-	-	32,214,177
Sewerage plant	15,486,975	2,271,952	-	-	17,758,927
Plant and machinery	6,739,968	349,055	-	-	7,089,023
Motor vehicles	464,000	-	-	-	464,000
Total accumulated depreciation	284,892,171	75,784,320	(132,966,056)	-	227,710,435

14.2.3 Net book value

Year ended 31 March	2025 Rs.	2024 Rs.
Freehold land	6,987,655,000	6,235,000,004
Freehold buildings	2,979,945,002	2,084,225,843
Furniture and fittings	108,734,477	53,301,791
Equipment	45,270,419	43,376,845
Air conditioners	11,652,947	1,304,036
Generator	11,176,795	12,208,576
Computer equipment	3,479,107	1,519,182
Sewerage plant	4,365,335	6,637,287
Plant and machinery	14,651,430	5,697,012
	10,166,930,512	8,443,270,577
In the course of construction		
Capital work-in-progress	-	18,779,982
Net book value	10,166,930,512	8,462,050,559

14.2.4 During the financial year the Group acquired and transferred property, plant and equipment to the aggregate value of Rs. 1,474,237,364/- (2024 - Rs. 25,957,164/-), cash payments amounted to Rs. 732,824,209/- were made during the year for purchase of property, plant and equipment.

14.2.5 Based on the assessment carried out internally, it has been identified that there is no permanent impairment of property, plant and equipment which require provision in the financial statements based on reassessment as at 31 March 2025.

14.2.6 There were Rs. 10,582,856/- borrowing costs related to the acquisition of property, plant and equipment during the year (2024/2025 - nil).

14.2.7 There were no restrictions in the titles of the property plant and equipment and no assets were pledged as security for any financing arrangements as at 31 March 2025.

14.2.8 At 31 March 2024, property, plant and equipment includes fully depreciated assets that are still in use, the cost of which amounted to Rs. 40,551,290/- (2023/2024 - Rs. 40,763,965/-).

14.2.9 During the financial year, Hotel Suisse Kandy underwent a refurbishment programme, and the majority of the additions to property, plant, and equipment (PPE), amounting to Rs. 741,413,155/-, relate to this refurbishment.

14.3 Revaluation of property, plant and equipment

Freehold land and buildings of the Company were revalued by an independent professional valuer Mr. S. Sivaskantha, F.I.V. (Sri Lanka) of Perera Sivaskantha & Company, Incorporated valuers, on the basis of Market Approach as at 31st March 2025. There was no significant difference in the value of buildings of leasehold land in the Group compared to the last revaluation. Note 4.12 to the financial statements describes the valuation process of the Group.

Refer to Note 13 for the fair value measurement hierarchy of Group's non-financial assets.

Revaluation of freehold land and buildings for the year ended 31 March 2025	Land Rs.	Buildings Rs.
The Kandy Hotels Co. (1938) PLC		
Carrying Amount Prior to Revaluation	6,235,000,004	2,684,759,932
Add: Gain on Revaluation recognise in equity	752,654,996	295,185,070
Carrying Amount After the Revaluation	6,987,655,000	2,979,945,002

Revaluation deficit for the year ended 31 March 2024	Buildings Rs.
United Hotels Company Limited and Tissa Resort (Pvt) Ltd	
Carrying Amount Prior to Revaluation	1,882,019,191
Add: Gain on Revaluation recognise in equity	(10,894,191)
Carrying Amount After the Revaluation	1,871,125,000

14.4 Valuation techniques and significant unobservable inputs

The following table shows the valuation techniques used for the Group in measuring Level 3 fair values, and the significant unobservable inputs used.

Name of the Company	Non financial assets	No. of Buildings/ Land	Location	Valuation Technique	Property Valuer and Qualification	Significant unobservable inputs	Sensitivity of the input to the fair value
The Kandy Hotels Co. (1938) PLC	Freehold Land	02	Kandy	Open market value method	S. Sivaskantha, Fellow Member of Institute of Valuation, Incorporated valuer	Price per perch of land Rs. 8,000,000/- to Rs. 16,500,000/-	Estimated fair value would increase/ (decrease) if ;- Price per perch increases/ (decreases
	Building	02	Hotel Suisse at 30, Sangaraja Mawatha, Kandy Hotel Queens at 04, Dalada Veediya, Kandy.	Depreciated replacement cost method	S. Sivaskantha, Fellow Member of Institute of Valuation, Incorporated valuer	Price per sq. Ft Rs. 12,000/- to Rs. 32,000/-	Estimated fair value would increase/ (decrease) if ;- Price per square feet increases/ (decreases
United Hotels Co. Ltd	Building	01	EKHO Lake house hotel Parakrama Samudraya Pedesa, Polonnaruwa	Investment Method	S Sivaskantha, Fellow Member of Institute of Valuation of Sri Lanka, Incorporated valuer	Range Rs.32,000/- per sq. ft Depreciation rate - 42.5% Rate of Return - 13%	Estimated fair value would increase/ (decrease) if ;- Price per square feet increases/(decreases)

Name of the Company	Non financial assets	No. of Buildings/ Land	Location	Valuation Technique	Property Valuer and Qualification	Significant unobservable inputs	Sensitivity of the input to the fair value
	Building	01	EKHO Surf at Beach Road, Bentota	Investment Method	S Sivaskantha, Fellow Member of Institute of Valuation of Sri Lanka, Incorporated valuer	Range Rs. 8,500/- to Rs. 32,000/- per sq. ft Depreciation rate - 35% Rate of Return - 13%	Estimated fair value would increase/ (decrease) if ;- Price per square feet increases/(decreases)
	Building	01	The Lake - Polonnaruwa	Investment Method	S Sivaskantha, Fellow Member of Institute of Valuation of Sri Lanka, Incorporated valuer	Range Rs.12,000/- to Rs.30,000/- per sq. ft Depreciation rate - 45% Rate of Return -13%	Estimated fair value would increase/ (decrease) if ;- Price per square feet increases/(decreases)
Tissa Resort (Pvt) Ltd	Building	01	EKHO Safari at Kataragama Road, Tissamaharama	Depreciated replacement cost method	S Sivaskantha, Fellow Member of Institute of Valuation of Sri Lanka, Incorporated valuer	Range Rs. 9,000/- Rs. 26,500/- per sq. ft Depreciation rate - 47.5% Rate of Return - 17.5%	Estimated fair value would increase/ (decrease) if ;- Price per square feet increases/(decreases)

The fair value measurement for the freehold land and buildings of the Group has been categorised as a Level 3 fair value measurement based on the inputs to the valuation technique used.

Significant increases/ (decreases) in estimated price per square and price per perch in isolation would result in a significantly higher/ (lower) fair value on a linear basis.

Open Market Value

The Open Market Value Method of valuation is a real estate appraisal approach used to determine the price of a property would likely achieve if sold on the open market. This method considers the selling price of a similar property within a reasonably recent period of time in determining the fair value of property being revalued. This involves evaluation of recent active market price of similar assets, making appropriate adjustments for difference in size, nature and location of the property. This method assumes that the property is sold under normal market conditions, where both the buyer and seller are motivated but not under any undue pressure to complete the transaction.

Depreciated replacement cost method

The Depreciation Replacement Cost Method of valuation is a real estate valuation approach used to estimate the value of a property based on the cost to replace or reproduce the property, minus depreciation. The Depreciated replacement cost method works on the basis that property's value can be equated to its cost, Valuer assesses the cost of the building if it would have constructed in the current year, and deduct margin for usage of the property based on the respective year of construction. This method is particularly useful for valuing properties where there might not be a reliable market or income-based valuation, such as unique or specialised properties.

Investment Method (Income approach, Income capitalisation approach)

The Investment Method of Valuation, also known as the Income Approach or Income Capitalisation Approach, is a real estate valuation method that determines the value of a property based on its ability to generate income. This approach is commonly used for income-producing properties like rental buildings, office spaces, or commercial real estate.

14.5 The carrying amount of revalued assets that would have been included in the Financial Statements, had the assets been carried at cost less accumulated depreciation is as follows:

Year ended 31 March	2025 Cost Rs.	2025 Accumulated depreciation Rs.	2025 Carrying value Rs.	2024 Carrying value Rs.
Group				
Freehold land	1,956,262,500	-	1,956,262,500	1,956,262,500
Freehold buildings	1,287,351,010	412,524,896	874,826,114	255,531,376
Buildings on leasehold land	1,668,314,572	41,707,864	1,626,606,708	1,626,606,708
Total	4,911,928,082	454,232,760	4,457,695,322	3,838,400,584

Year ended 31 March	2025 Cost Rs.	2025 Accumulated depreciation Rs.	2025 Carrying value Rs.	2024 Carrying value Rs.
Company				
Freehold land	1,956,262,500	-	1,956,262,500	1,956,262,500
Freehold buildings	1,287,351,010	412,524,896	874,826,114	255,531,376
Total	3,243,613,510	412,524,896	2,831,088,614	2,211,793,876

14.6 Value of Land and building ownership

Name of the Company	Location	Property	Ownership	Extent	Carrying value as at 31 March 2025
The Kandy Hotels (1938) PLC	Hotel Suisse - No.30, Sangaraja Mawatha, Kandy	Land	Freehold	429.85 Perches	3,439,000,000
		Building	Freehold	80.861.5 Sq.ft.	1,713,000,000
	Hotel Queen's - No.04, Dalada Veediya, Kandy	Land	Freehold	215.07 Perches	3,548,655,000
		Building	Freehold	114,885.5 Sq.ft.	1,266,945,002
United Hotels Co. Ltd	EKHO Lake House Hotel, Parakrama Samudraya Pedesa, Polonnaruwa	Building	Leasehold	15,344 Sq.ft.	104,012,229
	EKHO Surf Hotel, Beach Road, Bentota	Building	Leasehold	89,487 Sq.ft.	1,258,166,732
	The Lake Hotel, Polonnaruwa	Building	Leasehold	31,533 Sq ft.	167,821,875
Tissa Resort (Pvt) Ltd	EKHO Safari at Kataragama Road, Tissamaharama	Building	Leasehold	48,497.5 sq.ft.	292,500,000

15 INTANGIBLE ASSETS

Year ended 31 March	Group		Company	
	2025	2024	2025	2024
	Rs.	Rs.	Rs.	Rs.
Computer software (Note 15.1)	2,840,216	2,040,024	520,301	724,609
	2,840,216	2,040,024	520,301	724,609

15.1 Computer software

Balance at the beginning of the year	50,783,334	35,723,574	35,723,574	35,723,574
Acquisition through business combinations	-	13,624,760	-	-
Acquired during the year	1,435,000	1,435,000	-	-
Balance at the end of the year	52,218,334	50,783,334	35,723,574	35,723,574
Accumulated amortization				
Balance at the beginning of the year	(48,743,310)	(27,365,885)	(34,998,965)	(27,365,885)
Acquisition through business combinations	-	(13,624,760)	-	-
Amortization charge for the year	(634,808)	(7,752,665)	(204,308)	(7,633,080)
Balance at the end of the year	(49,378,118)	(48,743,310)	(35,203,273)	(34,998,965)
Net book value	2,840,216	2,040,024	520,301	724,609

16 LEASES

16.1 Right-of-use assets

As at 31 March	Group	
	2025	2024
	Rs.	Rs.
Cost		
Balance at the beginning of the year	130,182,946	-
Acquisition through business combinations	-	124,394,899
Remeasurement	-	5,788,047
Balance at the end of the year	130,182,946	130,182,946
Amortization		
Balance at the beginning of the year	21,849,874	-
Acquisition through business combinations	-	16,652,953
Amortization charge for the year	5,196,918	5,196,921
Balance at the end of the year	27,046,792	21,849,874
Carrying amount		
As at 31 March	103,136,154	108,333,072

Right-of use-assets are in respect of following properties, which are currently on lease with Sri Lanka Tourism Development Authority.

EKHO Surf – Bentota

EKHO Safari – Tissamaharamaya

The Lake – Polonnaruwa

EKHO Lake House – Polonnaruwa

16.2 Lease liabilities

As at 31 March	Group 2025 Rs.	Group 2024 Rs.
Balance at the beginning of the year	127,201,672	-
Acquisition through business combinations	-	150,942,907
Interest expense	16,467,154	16,562,724
Less: Payments made during the year	(17,151,682)	(33,594,316)
Transferred to other payables	-	(6,709,643)
Balance at the end of the year	126,517,144	127,201,672
Current	19,124,961	19,207,910
Non - current	107,392,183	107,993,762
	126,517,144	127,201,672

16.3 Amounts Recognised in Statement of Profit or Loss

Interest expense	16,467,154	16,562,724
	16,467,154	16,562,724

16.4 Amounts Recognised in Statement of Cash Flows

Total cash outflow for leases	(17,151,682)	(33,594,316)
	(17,151,682)	(33,594,316)

16.5 Maturity Analysis - Contractual Undiscounted Cash Flows

Less than one year	18,727,311	18,163,739
One to five years	87,841,476	104,801,619
More than five years	283,066,667	298,634,855
	389,635,454	421,600,213

17 INVESTMENT PROPERTY

Year ended 31 March	Group 2025 Rs.	Group 2024 Rs.
Balance at the beginning of the period	-	-
Acquisition through business combinations	-	193,963,000
Reclassified to property, plant and equipment	-	(193,963,000)
Balance at the end of the year	-	-

17.1 The following table shows the valuation techniques used for the Group in measuring Level 3 fair values, and the significant unobservable inputs used for investment property as at 31st March 2023.

Location	Property	Valuation technique	Property valuer & Qualification	Significant unobservable inputs	Sensitivity of the input to the fair value
The Lake Hotel Pothgul Pedesa, New Town, Polonnaruwa	Building on lease hold land	Investment Method	S Sivaskantha, Fellow Member of Institute of Valuation of Sri Lanka, Incorporated valuer	Rs. 12,000 to Rs. 30,000 per sq. ft Depreciation rate - 45% Rate of Return -12.5%	Estimated fair value would increase/ (decrease) if; - Price per square feet increases/ (decreases)

17.2 Transfer to Property Plant and Equipment

In May 2023, the land and buildings of The Lake Hotel, previously classified as investment property and measured at fair value, were reclassified as owner-occupied property. The owners have decided to repurpose the land and buildings for direct hotel operations.

Immediately before the transfer, the Group remeasured the investment property at fair value. The remeasurement concluded that there was no change in fair value since the last revaluation on 31 March 2023. The valuation technique and significant unobservable inputs used in determining this fair value are consistent with the Note 14.4.

18 INVESTMENT IN SUBSIDIARIES

As at 31 March	No. of shares 2025	No. of shares 2024	Effective Holding % 2025	Effective Holding % 2024	Company 2025 Rs.	Company 2024 Rs.
Direct Subsidiaries						
Suisse Hotel (Private) Limited	41,975,587	41,975,587	100%	100%	352,843,177	352,843,177
United Hotels Company Limited	297,918,001	297,918,001	100%	100%	4,541,643,295	4,541,643,295
Sub- subsidiaries						
Tissa Resort (Pvt) Ltd	-	-	100%	100%	-	-
Ceylon Hotel Maldives (Pvt) Limited	-	-	100%	100%	-	-
Provision for impairment (Note 18.1)					(176,422,000)	(176,422,000)
					4,718,064,472	4,718,064,472

18.1 Provision for impairment

As at 31 March	Company 2025 Rs.	Company 2024 Rs.
At the beginning of the year	176,422,000	176,422,000
Provision for the year	-	-
At the end of the year	176,422,000	176,422,000

18.2 Principal Subsidiaries

The following disclosure excerpt highlights the group composition and the proportion of ownership interests as at 31st March 2025.

Company and country of incorporation/ operation	Principal activities	Class of shares held	As at 31 March 2025 Proportion of interest held by the Company	As at 31 March 2025 Group interest (%)	As at 31 March 2024 Proportion of interest held by the Company	As at 31 March 2024 Group interest (%)
Sri Lanka						
Suisse Hotel (Pvt) Ltd	Managers and providers of service of whatever nature to the hotel and tourism industry	Ordinary Shares	100%	100%	100%	100%
United Hotels Company Limited	Hotel Services	Ordinary Shares	100%	100%	100%	100%
Tissa Resort (Pvt) Ltd	Hotel Services	Ordinary Shares	-	100%	-	100%
Ceylon Hotels Maldives (Pvt) Ltd	Hotel Services	Ordinary Shares	-	100%	-	100%

18.3 Business combination under common control

During the year 2023/2024, United Hotels Company Ltd (UHC) has become a fully owned subsidiary of The Kandy Hotels Company (1938) PLC (KHC). At the beginning of the year KHC had a stake of 16.11% of the UHC and 83.89% of the remaining stake was transferred to KHC during the year via a private placement worth Rs. 3,809,901,974/-.

The Company has issued 176,809,253 ordinary voting shares at a per share price of Rs. 14.96/- for a total consideration of Rs. 2,645,066,425/- to shareholders of UHC. The share swap was on the basis of 1 KHC share to 0.9813 shares of UHC. Parent of the both entities was Ceylon Hotel Cooperation PLC and this remains unchanged after the restructuring. The aforementioned restructure resulted in UHC and its subsidiaries becoming fully owned subsidiaries of the Company.

In settling the purchase consideration from KHC to CHC, a related party interest-bearing loan of Rs. 1,164,835,549/- which was due from CHC was set-off against the consideration. The remaining amount of Rs. 2,645,066,425/- was settled by issuing shares.

Above transaction was a business combination under common control. Hence pooling of interests method has been applied.

Assets acquired and liabilities assumed

The book values of the identifiable assets and liabilities as at the date of acquisition were:

	Book value recognised on acquisition Rs.
Assets	
Property, plant and equipment	1,701,483,770
Right of use assets	113,529,992
Investments property	193,963,000
Inventories	30,283,333
Trade and other receivables	233,764,259
Amounts due from related companies	192,525,332
Income tax recoverable	2,904,403
Cash and cash equivalents	2,610,623,589
Liabilities	
Interest bearing borrowings	(885,668,892)
Employee benefits	(7,315,260)
Deferred tax liabilities	(209,342,922)
Lease Liability	(150,942,909)
Trade and other payables	(143,106,744)
Amounts due to related companies	(99,525,520)
Bank overdraft	(289,916,985)
Total identifiable net assets	3,293,258,446

	Book value recognised on acquisition Rs.
Non-controlling interest measured at book value	
Adjustment to merger reserve	1,248,384,849
Purchase consideration transferred	4,541,643,295
Purchase consideration	
Shares issued	2,645,066,425
Settlement of interest bearing related party loans	1,164,835,549
Previously acquired UHCL shares	731,741,321
Total consideration	4,541,643,295
Analysis of cash flows on acquisition:	
Net cash acquired with the subsidiary (included in cash flows from investing activities)	2,320,706,604
Net cash flow on acquisition	2,320,706,604

Business combinations under common control are accounted for pooling of interests method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value in the acquiree.

18.4 Impairment of Investment in subsidiary - Suisse Hotel (Private) Limited in 2021/2022

The Group has carried out an impairment assessment of investment in subsidiary as at 31 March 2022. Impairment test was based on the value in use calculation (VIU) of Suisse Hotel (Pvt) Ltd using discounted cash flow model. For the impairment assessment, Suisse Hotel (Pvt) Ltd considered as a single cash generating unit (CGU).

The cash flows are derived from the most recent forecast and do not include the restructuring activities that the group is yet to commit or any significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is sensitive to the discount rate used for the discounted cash flow model, revenue growth rate and the growth rate used for extrapolation purposes.

The key assumptions used in the VIU computation

Gross Margins

The basis used to determine the value assigned to the forecasted gross margins is the gross margins achieved in the preceding year duly adjusted for projected market conditions.

Discount Rates

The discount rate used is the weighted average cost of capital of the CGU, and is at 14.4%.

Volume Growth

Volume growth has been budgeted on a reasonable and realistic basis by taking into account the growth rates of one to five years immediately subsequent to the budgeted year based on expected industry growth rates. Cash flows beyond the fifth year period are extrapolated using 3.5% growth rate.

Occupancy and Average room rates (ARR)

Occupancy and ARR has been projected based on the historical trends and considering the current market conditions.

Impairment of Investment in subsidiary - Suisse Hotel (Private) Limited in 2022/2023

The Company made an additional investment of Rs. 4,898,525 in 2022/2023, which was fully impaired within the same year.

19 INVESTMENT IN JOINT VENTURE

Group

The Group holds 50% interest in Suisse Hotel Kandy (Private) Limited, a joint venture owning the Radisson Hotel Kandy. The Group's interest in Suisse Hotel Kandy (Private) Limited is accounted for using the equity method in the consolidated financial statements. Summarised financial information of the joint venture and reconciliation with the carrying amount of the investment in consolidated financial statements are set out below:

Carrying value of the investment - Suisse Hotel Kandy (Pvt) Limited	2025 Rs.	Restated 2024 Rs.	Restated 2023 Rs.
Balance at the beginning of the year	145,383,158	182,317,327	-
Cumulative profit/ (loss) accruing to the group net of dividend (Note 19.2)	8,389,605	28,780,029	(684,591,274)
Cumulative other comprehensive income accruing to the group	136,246,960	(110,650,632)	1,003,102,252
Investment made during the year	292,500,000	-	4,898,530
Provision for impairment	-	-	(4,898,530)
Correction of Error (Note 19.1)	-	44,936,434	(136,193,651)
Group's carrying amount of the investment	582,519,723	145,383,158	182,317,327

Name of the Joint Venture	Principal activities	Country of incorporation and place of business	Class of shares held	Group Interest (%)
Suisse Hotel Kandy (Pvt) Limited	Hotel Services	Sri Lanka	Ordinary shares	50%

19.1 Prior Year Adjustment

Correction of Error

During the current financial year management has discovered below accounting errors in relation to accounting of joint venture (Suisse Hotel Kandy (Pvt) Ltd) in the books of the group financial statements of The Kandy Hotels Co. (1938) PLC.

01) Deferred tax impact of revaluation of land and building for year ended 31 march 2023 had measured at 14% when as there 30%

02) Interest expense had not been recognised in relation to moratorium loans & borrowings for the year ended 31 March 2024.

The errors has been corrected in accordance with LKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors by restating each of the affected financial statement line items for the prior periods, as follows:

Group	As previously reported	Adjustment to correct error Rs.	As restated Rs.
Statement of financial position as at 31 March 2023			
Investment in joint venture	318,510,978	(136,193,651)	182,317,327
Retained earnings	871,264,555	64,783,579	936,048,134
Other capital reserves	7,130,008,277	(200,977,229)	6,929,031,048
Statement of financing position as at 31 March 2024			
Investment in joint venture	236,640,375	(91,257,217)	145,383,158

19.2 Investment in Joint Venture-Suisse Hotel Kandy (Pvt) Limited

As at 31 March	2025 Rs.	2024 Rs.	
Number of shares	191,701,814	162,451,814	161,961,962
Holding %	50%	50%	50%

19.3 Summarised financial information of joint venture - Group

As at 31 March	2025 Rs.	2024 Rs.	2023 Rs.
Assets and liabilities			
Current assets, including cash and cash equivalents	168,887,004	240,359,293	136,463,034
Non current asset, including property, plant and equipment	1,738,387,656	1,745,261,252	3,911,252,269
Current liabilities, including trade and other payables	(253,495,840)	(332,689,195)	(241,143,285)
Non-current liabilities, including long-term borrowing	(2,205,640,722)	(2,736,655,415)	(3,214,428,991)
Equity	(551,861,902)	(1,083,724,065)	592,143,027
Group's carrying amount of the investment	582,519,723	145,383,158	182,317,327

Summarised statement of profit or loss and other comprehensive income

For the year ended 31 March	2025 Rs.	2024 Rs.	2023 Rs.
Revenue	718,172,940	513,399,823	232,126,552
Cost of sales	(136,372,526)	(109,353,239)	(54,771,333)
Administrative expenses, including depreciation	(460,891,315)	(310,607,466)	(301,065,470)
Marketing and promotional expenses	(39,703,756)	(30,172,301)	(19,916,936)
Net finance costs	(112,426,989)	(4,476,319)	(231,941,720)
Foreign exchange loss	48,052,527	(1,230,440)	(258,855,686)
Loss before income tax	16,830,882	57,560,059	(634,424,593)
Income tax	(51,671)	-	(251,833)
Profit/ (loss) for the year	16,779,211	57,560,059	(634,676,426)
Group's share of profit/ (loss) for the year*	8,389,605	28,780,029	(317,338,213)
Group's share of loss for the year	-	-	(317,338,213)
Brought forward unrecognised loss	-	-	(367,253,061)
Loss recognised during the year	-	-	684,591,274
Unrecognised loss	-	-	-

*The Group has recognised share of loss to the extent of Group's interest is reduced to Nil and remaining losses have not been recognised as there is no legal or constructive liability to make any payments on behalf of Suisse Hotel Kandy (Pvt) Ltd.

As at 31 March 2022 and the said remaining losses were recognised after the financial year ended 31 March 2023.

Group

For the year ended 31 March	2025 Rs.	2024 Rs.	2023 Rs.
Other comprehensive income			
Actuarial gains and losses on defined benefit plans	1,172,618	-	
Revaluation surplus of freehold land	387,601,861		2,332,795,936
Deferred tax charge on revaluation gain	(116,280,558)		(326,591,431)
Other comprehensive income for the year	272,493,921	-	2,006,204,505
Group's share of other comprehensive income for the year	136,246,960	-	1,003,102,252
Summarised cash flow information			
Cash flows from/ (used in) operating activities	(195,066,978)	41,369,949	(595,772,715)
Cash flows from/ (used in) investing activities	557,198,449	67,774	10,259,906
Cash flows from/ (used in) finance activities	(322,564,301)	(20,689,101)	568,794,829
Net increase/ (decrease) in cash and cash equivalents	39,567,170	20,748,622	(16,717,980)

19.4 The joint venture had no other contingent liabilities or capital commitments as at 31 March 2025 and 2024.

19.5 Assets Pledged

Company Nature of Assets	Nature of Liability	Carrying Amount Pledged 2025 Rs.	 2024 Rs.
Assets of Suisse Hotel Kandy (Pvt) Ltd. (OZO Hotel Kandy) situated at No. 31, Saranankara Mawatha, Kandy.	Term Loans of USD 9,343,289/- Interest rate at 4.5% + 6 months LIBOR Floor rate at 5% p.a.	1,736,959,023	1,756,505,098
	- Restructured Term loan of USD 3.6 Mn Repayable in 120 monthly instalments & interest 06 months SOFR + 1.0% p.a payable monthly. (Floor rate 4.5% p.a.)		
	- Restructured Term loan of USD 3.6 Mn Repayable in 96 monthly instalments & interest 06 months SOFR + 0.5% p.a payable monthly. (Floor rate 4.5% p.a.)		
	- Restructured Term loan of USD 1.19 Mn Repayable in 60 monthly instalments & interest 4.0% pa payable monthly		
		1,736,959,023	1,756,505,098

20 ADVANCES FOR FUTURE SHARE ISSUE

As at 31 March	Company 2025 Rs.	Company 2024 Rs.
Advances for future share issue	323,000,000	-
	323,000,000	-

The company provided an advance to Suisse Hotel (Pvt) Ltd in December 2024, with the intention of capitalising this advance at a future date.

21 INVENTORIES

As at 31 March	Group 2025 Rs.	Group 2024 Rs.	Company 2025 Rs.	Company 2024 Rs.
Food and beverage	28,285,304	27,427,614	12,694,031	9,207,139
Linen	69,044,628	59,177,745	38,621,881	28,087,815
Housekeeping and maintenance	41,215,853	19,842,787	29,791,231	11,622,362
	138,545,785	106,448,146	81,107,143	48,917,316
Less: Provision for obsolete and slow moving items	(6,504,625)	(4,473,488)	-	-
	132,041,160	101,974,658	81,107,143	48,917,316

22 TRADE AND OTHER RECEIVABLES

As at 31 March	Group 2025 Rs.	Group 2024 Rs.	Company 2025 Rs.	Company 2024 Rs.
Trade receivables (Note 22.1)	176,479,685	210,280,706	45,546,428	56,566,408
Other receivables (Note 22.2)	76,802,773	147,442,327	57,419,057	22,402,200
	253,282,458	357,723,033	102,965,485	78,968,608

a) Due to the short-term nature of the current receivables, their carrying amount is assumed to be the same as their fair value.

22.1 Trade receivables

As at 31 March	Group 2025 Rs.	Group 2024 Rs.	Company 2025 Rs.	Company 2024 Rs.
Trade receivables	183,244,385	217,264,305	49,923,571	60,943,551
Less: ECL provision for bad & doubtful debts (Note 22.3)	(6,764,700)	(6,983,599)	(4,377,143)	(4,377,143)
	176,479,685	210,280,706	45,546,428	56,566,408

22.2 Other receivables

As at 31 March	Group 2025 Rs.	Group 2024 Rs.	Company 2025 Rs.	Company 2024 Rs.
Other receivables	80,828,390	151,467,944	61,140,484	26,123,627
Less: ECL provision for bad & doubtful debts (Note 22.3)	(4,025,617)	(4,025,617)	(3,721,427)	(3,721,427)
	76,802,773	147,442,327	57,419,057	22,402,200

22.3 The movement of the provision for impairment of trade receivables are as follows

As at 31 March	Group 2025 Rs.	Group 2024 Rs.	Company 2025 Rs.	Company 2024 Rs.
ECL provision for bad & doubtful debts				
Balance at the beginning of year	11,009,216	9,126,623	8,098,570	9,126,623
Acquisition through business combinations	-	603,999	-	-
Write-off during the year	(218,898)	(1,028,053)	-	(1,028,053)
Provision during the year	-	2,306,647	-	-
Balance at the end of the year	10,790,318	11,009,216	8,098,570	8,098,570

22.4 Impairment of debtors

The management has carried out an impairment provision based on the simplified approach of ECL method and impairment provision of Rs. 10,790,318/- has been accounted for trade and other receivables as the ECL. (2023/2024 - Rs.11,009,216/-).

Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The management considered 100% ECL for debtors aged more than 180 days in determining the provision matrix for ECL.

Trade and other receivables are non-interest bearing and generally on terms of 30 to 60 days.

22.5 Trade receivables by credit quality are as follows.

As at 31 March	Group 2025 Rs.	Group 2024 Rs.	Company 2025 Rs.	Company 2024 Rs.
Neither past due nor impaired	116,349,310	118,840,677	31,523,855	28,319,603
Past due but not impaired				
31-60 days	30,805,974	48,680,289	6,886,837	18,618,001
61-90 days	13,142,309	26,899,642	2,325,197	7,531,953
91-120 days	2,900,961	10,415,844	192,548	2,136,826
> 121 days	20,045,831	12,427,853	8,995,134	4,337,167
Impaired	(6,764,700)	(6,983,599)	(4,377,143)	(4,377,143)
Total	176,479,685	210,280,706	45,546,428	56,566,408

Past due-not impaired trade receivable balances of the Group and the Company have not been impaired as there has not been a significant change in credit quality and believe that overdue amounts are fully recoverable.

Trade and other receivables are not pledged as securities for any financing arrangements.

23 ADVANCES AND PREPAYMENTS

As at 31 March	Group 2025 Rs.	Group 2024 Rs.	Company 2025 Rs.	Company 2024 Rs.
Advances and deposits	31,604,432	14,138,358	4,357,074	1,924,897
Prepayments	82,560,705	13,523,852	82,560,705	13,523,852
Less: Provision for advances & prepayment	(1,220,000)	(1,220,000)	-	-
	112,945,137	26,442,210	86,917,779	15,448,749

24 CASH AND BANK BALANCES

As at 31 March	Group 2025 Rs.	Group 2024 Rs.	Company 2025 Rs.	Company 2024 Rs.
Favourable cash and bank balances				
Cash in hand	5,676,574	5,198,516	2,299,999	2,499,999
Cash at bank	1,203,835,423	1,882,119,155	9,756,796	849,586
Total cash and bank balances	1,209,511,997	1,887,317,671	12,056,795	3,349,585
Unfavourable cash and bank balances				
Bank overdrafts	(333,903,751)	(215,980,271)	(206,142,156)	(134,650,863)
	(333,903,751)	(215,980,271)	(206,142,156)	(134,650,863)
Total cash and cash equivalents for the purpose of statement of cash flows	875,608,246	1,671,337,400	(194,085,361)	(131,301,278)

25 STATED CAPITAL

As at 31 March	Group Value of shares 2025 Rs.	 2024 Rs.	Company Value of shares 2025 Rs.	 2024 Rs.
Fully paid ordinary shares (Note 25.3)	2,661,566,425	2,661,566,425	2,661,566,425	2,661,566,425
Fully paid preference shares - 15% cumulative	250,000	250,000	250,000	250,000
	2,661,816,425	2,661,816,425	2,661,816,425	2,661,816,425

As at 31 March	Group Ordinary shares issued and fully paid 2025 Rs.	 2024 Rs.	Company Ordinary shares issued and fully paid 2025 Rs.	 2024 Rs.
Fully paid ordinary shares (Note 25.3)	754,309,253	754,309,253	754,309,253	754,309,253
Fully paid preference shares - 15% cumulative (Note 25.1)	50,000	50,000	50,000	50,000
	754,359,253	754,359,253	754,359,253	754,359,253

25.1 Cumulative participating preference shares

The cumulative participating preference shares are entitled to a cumulative dividend of 15% per annum on the amount of each such preference share prior to the payment of any dividend to ordinary share holders.

25.2 The holders of ordinary shares are entitled to receive dividends as described from time to time.

25.3 Movement in Ordinary Shares

	Group/Company Number of shares 2025	 Number of shares 2024	Group/Company Value of Shares (Rs.) 2025	 Value of Shares (Rs.) 2024
At the beginning of the year	754,309,253	577,500,000	2,661,566,425	16,500,000
Share issue during the year	-	176,809,253	-	2,645,066,425
At the end of the year	754,309,253	754,309,253	2,661,566,425	2,661,566,425

The company issued 176,809,253 ordinary voting shares on 14th July 2023 for a consideration of Rs. 2,645,066,425/-. The shares were listed on the CSE on 20th July 2023.

26 OTHER CAPITAL RESERVES

26.1 Revaluation reserve

Nature and purpose of the reserve

The revaluation reserve is used to record increments and decrements in the revaluation of the lands and buildings of the Group. In the event of a sale or disposal of an asset, any balance in the reserve in relation to the asset is transferred to retained earnings.

As at 31 March	Group		Company	
	2025 Rs.	2024 Rs.	2025 Rs.	2024 Rs.
Balance at the beginning of the year	6,589,826,030	6,998,266,956	6,477,982,237	6,551,689,434
Correction of errors	-	(200,977,229)	-	-
Transfer of excess depreciation on revaluation	(88,800,132)	(89,187,131)	(73,707,197)	(73,707,197)
Surplus on revaluation	1,047,840,066	(10,894,191)	1,047,840,066	-
Deferred tax on revaluation (Note 29)	(314,352,020)	3,268,257	(314,352,020)	-
Share of other comprehensive income attributable to joint venture	136,246,960	(110,650,632)	-	-
Balance at the end of the year	7,370,760,904	6,589,826,030	7,137,763,086	6,477,982,237

26.2 Fair value reserve of financial assets at FVOCI

Nature and purpose of the reserve

Changes in the fair value arising on translation of unquoted equity investments that are classified as financial assets at fair value through OCI, are recognised in other comprehensive income and accumulated in a separate reserve within equity.

As at 31 March	Group		Company	
	2025 Rs.	2024 Rs.	2025 Rs.	2024 Rs.
Balance at the beginning of the year	-	131,741,321	-	131,741,321
Change in fair value (net of tax)	-	-	-	-
Transferred to merger reserve/retained earnings	-	(131,741,321)	-	(131,741,321)
Balance at the end of the year	-	-	-	-
Total other component of equity				
Revaluation reserve	7,370,760,904	6,589,826,030	7,137,763,086	6,477,982,237
	7,370,760,904	6,589,826,030	7,137,763,086	6,477,982,237

27 MERGER RESERVE

Nature and purpose of the reserve

The Company acquired net equity of United Hotel Company Limited and its subsidiaries through an acquisition under common control at a purchase consideration as detailed in Note 18.3. The residual value of the transaction was recognised as merger reserve.

As at 31 March	Group	
	2025	2024
	Rs.	Rs.
Balance at the beginning of the year	(1,116,643,528)	-
Acquisition under common control (Note 18.3)	-	(1,248,384,849)
Transferred from retained earnings	-	131,741,321
Balance at the end of the year	(1,116,643,528)	(1,116,643,528)

28 INTEREST BEARING LOANS AND BORROWINGS

28.1 Interest bearing loans and borrowings - Group

	2025			2024		
	Amount Repayable Within 1 Year	Amount Repayable After 1 Year	Total	Amount Repayable Within 1 Year	Amount Repayable After 1 Year	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Bank Loans (Note 28.3)	357,983,561	720,514,574	1,078,498,135	321,823,743	1,043,121,002	1,364,944,745
Bank overdrafts (Note 24)	333,903,751	-	333,903,751	215,980,271	-	215,980,271
	691,887,312	720,514,574	1,412,401,886	537,804,014	1,043,121,002	1,580,925,016

28.2 Interest bearing loans and borrowings - Company

	2025			2024		
	Amount Repayable Within 1 Year	Amount Repayable After 1 Year	Total	Amount Repayable Within 1 Year	Amount Repayable After 1 Year	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Bank Loans (Note 28.3)	176,080,959	288,426,540	464,507,499	201,662,129	447,232,011	648,894,140
Bank overdrafts (Note 24)	206,142,156	-	206,142,156	134,650,863	-	134,650,863
	382,223,115	288,426,540	670,649,655	336,312,992	447,232,011	783,545,003

28.3 Bank loans

As at 31 March	Group 2025 Rs.	Group 2024 Rs.	Company 2025 Rs.	Company 2024 Rs.
Balance at the beginning of the year	1,364,944,745	783,566,646	648,894,140	783,566,646
Acquisition through business combinations	-	885,668,892	-	-
Repayments during the year	(396,795,049)	(431,720,548)	(240,990,579)	(226,984,659)
Effect of debt moratorium (capitalization of accrued interest)	-	-	-	-
Interest expense for the year	119,472,123	176,743,404	56,603,937	92,312,153
Exchange (gain)/loss	(9,123,684)	(49,313,649)	-	-
Balance at the end of the year	1,078,498,135	1,364,944,745	464,507,499	648,894,140
Current	357,983,561	321,823,743	176,080,959	201,662,129
Non-Current	720,514,574	1,043,121,002	288,426,540	447,232,011
	1,078,498,135	1,364,944,745	464,507,499	648,894,140
Capital Outstanding	1,059,166,369	1,339,915,675	453,515,788	630,563,852
Accrued Interest	19,331,766	25,029,070	10,991,711	18,330,288
	1,078,498,135	1,364,944,745	464,507,499	648,894,140

28.4 Interest bearing loans and borrowings- The Kandy Hotels Company (1938) PLC

Lending institution	Nature of facility	Interest rate	Collateral	Repayment terms	Carrying amount 2025 Rs.	Carrying amount 2024 Rs.
Sampath Bank PLC	Long Term Loan for Investments Loan value : Rs. 517,000,000/- (Investment loan)	Fixed 12% p.a. for a period of 12 months commencing from 26-06-2022 and thereafter AWPLR +1% p.a.	Corporate guarantee of Ceylon Hotels Corporation PLC for Rs.719,630,000/-, Mortgage over shares of United Hotels Company Limited for Rs.600,000,000/ owned by The Kandy Hotels Company (1938) PLC, Negative pledge over immovable properties of the company	Capital to be repaid in 61 monthly instalments of Rs. 8,300,000/- and final instalment of 10,700,000/- commencing from 26-07-2023. Interest to be serviced monthly during the full tenor of the loan.	367,600,000	467,200,000
Sampath Bank PLC	Debt moratorium facility on above investment loan - Loan value Rs. 65,130,959/-.	10% p.a (fixed)		Capital and interest grace period received from April 2020 to March 2021 under Covid-19 Relief Package offered by Central Bank of Sri Lanka. Capital to be repaid in 37 monthly instalments of Rs 1.7 Mn and a final instalment of Rs 2.23 Mn together with interest.	14,130,959	34,531,142

Lending institution	Nature of facility	Interest rate	Collateral	Repayment terms	Carrying amount 2025 Rs.	2024 Rs.
Sampath Bank PLC	Interest moratorium facility on above investment loan - Loan value Rs. 119,222,886/-	5.8% p.a (fixed)	Corporate guarantee of Ceylon Hotels Corporation PLC for Rs.719,630,000/- , Mortgage over shares of United Hotels Company Limited for Rs.600,000,000/ owned by The Kandy Hotels Company (1938) PLC, Negative pledge over immovable properties of the company	Capital to be repaid in 23 monthly instalments of Rs.4,900,000/- and final instalment of 6,522,886/- commencing from 26-07-2022 together with the interest.	-	31,022,886
Commercial Bank of Ceylon PLC	Long Term Loan for settlement of existing loans & accrued interest -Loan Value Rs.67,000,000/-	10% p.a (fixed)	Corporate Guarantee of Rs.100,000,000/- dated 06/09/2017 signed by Ceylon Hotel Corporation PLC. , Corporate Guarantee of Rs.14,000,000/- dated 09/08/2019 signed by Ceylon Hotel Corporation PLC., Corporate Guarantee of Rs.50,000,000/- dated 23/12/2019 signed by Ceylon Hotel Corporation PLC. ,Primary floating mortgage bond No.4110 for Rs.50,000,000/- dated 10/02/2020 executed over debit & credit card sales of the total operations at Queens Hotel, Hotel Suisse and any other future locations routed through Commercial Bank's card center.	In 35 months instalments of Rs.1,875,000.00 & final instalment of Rs.1,900,000.	29,984,824	50,609,824
Commercial Bank of Ceylon PLC	Facility Under "Enterprise Sri Lanka" Loan value : Rs. 49,000,000/-.	AWPLR +1.75% p.a.		Capital Repayments to be made from May 2023 for a period of 60 months as follows. First 12 months = Rs. 200,000/- X 12 = Rs. 2,400,000/- Next 12 months = Rs. 600,000/- X 12 = Rs. 7,200,000/- Next 12 months = Rs.1,000,000/-X 12= Rs.12,000,000/- Next 12 months = Rs.1,000,000/-X 12= Rs.12,000,000/- Next 11 months = Rs.1,280,000/-X 11= Rs.14,080,000/- Final Instalment= Rs.1,320,000/- =Rs. 1,320,000/-	41,800,000	47,200,000
Accrued Interest					10,991,716	18,330,288
					464,507,499	648,894,140

*AWPLR refers to Average Weighted Prime Lending Rate.

Interest bearing loans and borrowings- United Hotels Company Limited

Lending institution	Nature of facility	Interest rate	Repayment terms	Collateral	2025 Rs.	2024 Rs.
Commercial Bank of Ceylon PLC	Term Loan- Rs.75,000,000/-	AWPLR + 1.75%	Rs. 240,000 x 12 months Rs. 730,000 x 12 months Rs.1,220,000 x 24 months Rs.1,480,000 x 11 months Rs.1,550,000 x 1 month	Primary mortgage bond No. 962 for Rs. 75Mn dated 05/05/2017 executed over leasehold rights of "The Lake House" Polonnaruwa property owned by the Sri Lanka Tourism Development Authority for Rs. 75 Mn and Corporate guarantee of Rs. 3.75 Mn from Ceylon Hotels Corporation PLC	50,030,000	56,590,000
Commercial Bank of Ceylon PLC	Term Loan- Rs.20,000,000/-	AWPLR + 1.75%	Rs. 60,000 x 12 months Rs. 270,000 x 12 months Rs. 380,000 x 24 months Rs. 490,000 x 11 months Rs. 553,000 x 1 month		16,120,000	18,460,000
Commercial Bank of Ceylon PLC	Term Loan- Rs.40,312,585/-	Fixed 10%	35 Equal Instalments of Rs. 1,189,000 and Balance by final instalment of Rs.1,215,879.22		19,050,878	32,129,879
Cargills Bank PLC	Term Loan- US$.1,994,006	Fixed 8%	Capital USD 6,081.72 + Interest) x 12 months, Capital USD 16,617 + Interest)x 12 months, Capital USD 24,926 + Interest) x 12 months, Capital USD 26,587 + Interest)x 12 months, Capital USD 28,249 + Interest)x 12 months, Capital USD 29,911 + Interest)x 12 Months, Capital USD 33,799 + Interest)x 12 Months	Primary Floating Mortgage Bond – USD 1.5M over leasehold property at Bentota (Tourist Resort "Surf" + fixed assets). Secondary Mortgage Bond – Rs. 50M over the same leasehold property at Bentota. Corporate Guarantees from Ceylon Hotel Corporation PLC: - USD 120,000 - Rs. 52,000,000 - Rs. 30,000,000 - USD 60,000 Letter of Comfort / Awareness – from The Galle Face Hotel Co. Ltd.	502,814,105	573,459,629
Interest Moratorium (Accrued Interest)					8,167,349	6,652,781
					596,182,332	687,292,289

Interest bearing loans and borrowings- Tissa Resort (Pvt) Ltd

Lending institution	Nature of facility	Interest rate	Repayment terms	Collateral	2025 Rs.	2024 Rs.
Commercial Bank of Ceylon PLC	Term Loan -Rs.5,700,000/-	10% fixed	In 35 Monthly equal instalments of Rs. 160,000/- each and final instalment of Rs. 105,603/-together with the interest	Corporate guarantee for Rs.216,500,000/-dated 25/11/2011 signed by Ceylon Hotel Corporation PLC , Primary mortgage bond No-1831 for Rs.216,500,000/-date 22/03/2012 executed over leasehold rights of Katharagama road , Tissamahara Property owned by The Sri Lanka Tourism Development Authority.	2,345,603	4,105,562
Commercial Bank of Ceylon PLC	Term Loan -Rs.18,500,000/-	AWPLR + 1.75%	First 12 months Rs.80,000*12, Next 12 Months 250,000*12, Next 24 Months 400,000*24, Next 11 Months Rs.410,000*11 and Final instalment of Rs.430,000/-		15,290,000	17,700,000
Commercial Bank PLC - Interest Moratorium (Accrued Interest)					172,702	-
					17,808,305	21,805,562

Interest bearing loans and borrowings-Ceylon Hotels Maldives (Pvt) Ltd

Lending institution	Nature of facility	Interest rate	Repayment terms	Collateral	2025 Rs.	2024 Rs.
Hatton National Bank PLC	Term Loan -Rs.15,705,924/-	Fixed 6.18%	To be repaid in 24 instalments 654,414.00 X 23 654,401.57 X 1	US$ Fixed Deposit of Rs.1,631,512/-	-	3,926,484
Hatton National Bank PLC	Term Loan -Rs.16,420,761/-	Fixed 6.93%	To be repaid in 24 instalments 684,200.00 X 23 684,161.31 X 1	US$ Fixed Deposit of Rs.1,631,512/-	-	1,368,400
Hatton National Bank PLC	Term Loan -Rs.6,447,464/-	Fixed 6.18%	To be repaid in 24 instalments 268,645.00 X 23 268,629.16 X 1	US$ Fixed Deposit of Rs.1,631,512/-	-	1,611,870
Accrued Interest					-	46,000
					-	6,952,754
The Group					1,078,498,135	1,364,944,745

*AWPLR refers to Average Weighted Prime Lending Rate.

28.5 The exposure of the carrying value of borrowings to interest rate changes and the contractual re-pricing dates at the end of the reporting period is as follows:

As at 31 March	Group 2025 Rs.	Group 2024 Rs.	Company 2025 Rs.	Company 2024 Rs.
Within 1 year	284,532,201	537,927,624	147,430,776	336,312,992
Between 1-5 year	774,903,985	1,042,997,390	306,084,824	447,232,011
	1,059,436,186	1,580,925,015	453,515,600	783,545,003

The carrying amounts of the Company's and the Group's borrowings are denominated in following currencies:

As at 31 March	Group 2025 Rs.	Group 2024 Rs.	Company 2025 Rs.	Company 2024 Rs.
Sri Lankan rupees	490,213,151	1,001,907,779	464,507,499	783,545,003
United Stated dollars	588,284,983	579,017,236	-	-
	1,078,498,134	1,580,925,015	464,507,499	783,545,003

28.6 Group and the Company have complied with the financial covenants of its borrowing facilities during the years ended March 31, 2025 and 2024.

28.7 The fair values are not materially different from the carrying amounts for the majority of borrowings.

29 DEFERRED TAX LIABILITY

As at 31 March	Group 2025 Rs.	Group 2024 Rs.	Company 2025 Rs.	Company 2024 Rs.
Balance at the beginning of the year	2,083,802,544	1,876,923,268	1,847,510,373	1,876,923,268
Acquisition through business combinations	-	209,342,924	-	-
Origination of temporary differences				
Charge/(Reversal) through statement of profit or loss	(53,622,771)	1,579,882	(37,840,419)	(28,985,293)
Recognised in other comprehensive income				
Charge / (reversal) on actuarial gain/(loss)	(704,028)	(775,273)	(144,926)	(427,602)
Deferred tax on revaluation	314,352,020	(3,268,257)	314,352,020	-
Balance at the end of the year	2,343,827,765	2,083,802,544	2,123,877,048	1,847,510,373

Deferred income taxes are calculated on all temporary differences under the liability method using the applicable tax rates at the end of the financial reporting period.

29.1 Deferred income tax assets and liabilities of the Group are offset when there is a legally enforceable right to set off current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the statements of financial position.

The deferred tax asset/liability on each temporary difference which were recognised in the financial statements are disclosed below.

29.1.1 Deferred tax - Group

As at 31 March	Statement of financial position 2025 Rs.	2024 Rs.	Statement of profit or loss 2025 Rs.	2024 Rs.
Deferred tax liability				
Capital allowances for tax purpose	502,755,868	493,675,811	9,080,057	286,994,708
Deferred tax effect on revaluation of land and buildings	2,248,818,027	853,873,588	-	-
Income tax rate change effect on revaluation of land and buildings	-	1,080,840,298	-	-
Deferred tax effect on right-of-use assets	30,940,846	32,499,922	(1,559,075)	32,499,922
	2,782,514,741	2,460,889,619	7,520,982	319,494,630
Deferred tax assets				
Retirement benefit obligation - through statement of profit or loss	(5,855,263)	(3,671,568)	(2,183,694)	(2,723,352)
Retirement benefit obligation - through other comprehensive Income	(1,263,937)	(802,126)	-	-
Income tax rate change effect on retirement benefit obligation	-	(247,877)	247,877	-
Deferred tax effect on lease liabilities	(37,955,146)	(38,160,504)	205,358	(38,160,504)
Deferred tax effect on impairment provisions	(6,769,921)	(5,099,760)	(1,670,161)	(3,199,838)
Carried forward tax loss	(386,842,709)	(329,105,240)	(57,743,133)	(248,871,608)
	(438,686,976)	(377,087,075)	(61,143,753)	(292,955,302)
Effect from acquisition through business combinations			-	(24,959,446)
Deferred tax charge/ (reversal)			(53,622,771)	1,579,882
Net deferred tax liability	2,343,827,765	2,083,802,544		

29.1.2 Deferred tax - Company

As at 31 March	Statement of financial position 2025 Rs.	2024 Rs.	Statement of profit or loss 2025 Rs.	2024 Rs.
Deferred tax liability				
Capital allowances for tax purpose	182,623,318	185,806,503	(3,183,185)	(20,874,600)
Deferred tax effect on revaluation of land and buildings	2,067,702,807	672,758,365	-	-
Income tax rate change effect on revaluation of land and buildings	-	1,080,840,298	-	-
	2,250,326,125	1,939,405,166	(3,183,185)	(20,874,600)
Deferred tax assets				
Retirement benefit obligation - through statement of profit or loss	(1,184,039)	(703,870)	(480,169)	244,346
Retirement benefit obligation - through other comprehensive Income	(599,380)	(454,454)	-	-
Income tax rate change effect on retirement benefit obligation	-	(247,877)	-	-
Deferred tax effect on impairment provision	(2,429,571)	(2,429,571)	-	(529,649)
Carried forward tax loss	(122,236,087)	(88,059,021)	(34,177,064)	(7,825,390)
	(126,449,075)	(91,894,793)	(34,657,233)	(8,110,693)
Deferred tax reversal			(37,840,419)	(28,985,293)
Net deferred tax liability	2,123,877,048	1,847,510,373		

29.2 Unrecognised deferred tax assets

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profit is probable. According to Inland Revenue Act No.24 of 2017, tax losses could be carried forward for a period of six years, to claim against taxable profits. Any carried forward tax losses prior to Year of Assessment 2018/2019 shall be treated as loss incurred in the year of assessment 2018/2019.

	Group				Company			
	2025		2024		2025		2024	
	Temporary Differences	Tax Effect	Temporary Differences	Tax Effect	Temporary Differences	Tax Effect	Temporary Differences	Tax Effect
On Carried Forward Tax Losses	(964,388,491)	(289,316,547)	(787,089,142)	(236,126,743)	(1,716,440,496)	(514,932,149)	(1,553,980,302)	(466,194,091)
	(964,388,491)	(289,316,547)	(787,089,142)	(236,126,743)	(1,716,440,496)	(514,932,149)	(1,553,980,302)	(466,194,091)

30 RETIREMENT BENEFIT OBLIGATIONS

As at 31 March	Group 2025 Rs.	Group 2024 Rs.	Company 2025 Rs.	Company 2024 Rs.
Balance at the beginning of the year	15,738,569	4,076,483	4,687,336	4,076,483
Acquisition through business combinations	-	7,315,259	-	-
Gratuity transferred from other entities	5,405,839	742,254	-	-
Interest cost (Note 30.1)	2,325,885	2,426,799	515,607	815,296
Current service cost (Note 30.1)	2,512,455	1,524,551	737,987	451,049
Total amount recognised in profit and loss	4,838,340	3,951,350	1,253,594	1,266,345
Remeasurement loss /(gain) (Note 30.1)	2,346,761	2,584,244	483,086	1,425,339
Total amount recognised in other comprehensive income	2,346,761	2,584,244	483,086	1,425,339
Employee benefit obligations paid	(4,598,844)	(2,931,020)	(479,287)	(2,080,831)
Balance at the end of the year	23,730,665	15,738,570	5,944,730	4,687,336

30.1 Following amount are recognised in the statement of profit or loss and other comprehensive income during the year in respect of the retirement benefit obligation.

As at 31 March	Group 2025 Rs.	Group 2024 Rs.	Company 2025 Rs.	Company 2024 Rs.
Amount recognised in profit or loss				
Interest cost	2,325,885	2,426,799	515,607	815,296
Current service cost	2,512,455	1,524,551	737,987	451,049
	4,838,340	3,951,350	1,253,594	1,266,345
Amount recognised in other comprehensive income				
Remeasurement loss /(gain) on obligations for the year	2,346,761	2,584,244	483,086	1,425,339
	2,346,761	2,584,244	483,086	1,425,339

This obligation is not externally funded.

The retirement benefit obligation of the Group is based on the actuarial valuation carried out by Messrs. Actuarial and Management Consultants (Private) Limited; a professional actuarial valuer. The key assumption used in determining above were as follows;

	Group		Company	
	2025	2024	2025	2024
Financial assumptions				
Discount rate	10% -11%	11%	10%	11%
Future salary growth rate	15%	15%	15%	15%
Demographic assumptions				
Mortality table	A 1967/70 Mortality Table	A 1967/70 Mortality Table	A 1967/70 Mortality Table	A 1967/70 Mortality Table
Retirement age	60 Years	60 Years	60 Years	60 Years

As per the guidelines issued by the Institute of Chartered Accountants of Sri Lanka, the discount rates has been adjusted to remove the risk from the market interest rate in arriving at the discount rate for the purpose of valuing employee benefit obligations as per LKAS 19.

Demographic assumptions such as mortality, withdrawal and disability and retirement age are considered for the actuarial valuation. The 2007 mortality table issued by the London Institute of Actuaries (A 1967/70 mortality table) has also been used in the valuation.

As per the Minimum Retirement Age of Workers Act No.28 of 2021, the minimum retirement age of private sector employees was extended to 60 years.

30.2 The defined benefit obligations' sensitivity to changes in key assumptions as at 31 March 2025 and 2024 are shown below:

	Salary increment rate		Discount rate	
Group	1% increase	1% decrease	1% increase	1% decrease
2025				
Change in present value of defined benefit obligation	847,143	(805,785)	(752,321)	805,813
2024				
Change in present value of defined benefit obligation	433,588	(417,363)	(375,577)	397,526

	Salary increment rate		Discount rate	
Company	1% increase	1% decrease	1% increase	1% decrease
2025				
Change in present value of defined benefit obligation	178,109	(170,888)	(160,310)	170,211
2024				
Change in present value of defined benefit obligation	102,910	(99,863)	(89,259)	93,671

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the prior period.

30.3 Maturity Analysis of Employee benefit

The weighted average duration of the defined benefit obligation is 3 Years (2023/2024 - 2 years) for the Company. The distribution of the timing of undiscounted benefit payments is as follows.

As at 31 March	Group 2025 Rs.	Group 2024 Rs.	Company 2025 Rs.	Company 2024 Rs.
Less than or equal 1 year	5,222,280	5,580,826	1,597,630	2,192,129
Over 1 year and less than or equal 2 years	3,812,777	2,651,378	1,090,613	631,225
Over 2 years and less than or equal 5 years	9,686,025	4,761,977	2,259,048	1,424,969
Over 5 years and less than or equal 10 years	3,823,429	2,439,108	849,993	417,731
Over 10 years	1,186,155	305,281	147,446	21,282
Total expected payments	23,730,665	15,738,570	5,944,730	4,687,336

31 TRADE AND OTHER PAYABLES

As at 31 March	Group 2025 Rs.	Group 2024 Rs.	Company 2025 Rs.	Company 2024 Rs.
Trade payables	200,944,547	153,782,133	129,542,133	66,965,305
Advances and deposits	7,222,868	6,704,374	4,741,510	4,591,510
Accrued expenses	237,176,560	22,135,198	214,883,388	1,253,535
Other payables	188,966,926	155,310,464	41,279,625	39,222,486
	634,310,901	337,932,169	390,446,657	112,032,836

Terms and conditions of the above financial liabilities:

• Trade payables and accrued expenses are non-interest bearing and are normally settled on 30-60 days terms.

For explanations on the Group's liquidity risk management processes, refer to Note 36.2.

The carrying amounts of trade and other payables are considered to be the same as their fair value, due to their short-term nature.

32 CONTRACT LIABILITIES

a) The Company recognises advances received for future reservations as contract liabilities.

b) The following table shows unsatisfied performance obligations resulting from customer contracts.

As at 31 March	Group/Company 2025 Rs.	Group/Company 2024 Rs.
Balance at the beginning of the year	7,248,877	5,436,820
Advance received during the year	64,563,348	32,905,090
Refunds due to cancellation of bookings	(781,671)	(266,613)
Realisations during the year	(58,242,139)	(30,826,420)
Balance at the end of the year	12,788,415	7,248,877

According to SLFRS 15, advances received from customers on future bookings have been reclassified from trade payables and presented separately as 'Contract Liabilities' in the statement of financial position. Accordingly, advances amounting to Rs. 12,788,415/- (2023/2024 - Rs. 7,248,877/-) have been separately presented in the statement of financial position.

33 RELATED PARTY TRANSACTIONS

The Company carries out transactions with parties who are defined as related parties in Sri Lanka Accounting Standard 24 'Related Part Disclosures', the details of which are reported below. The Company carried out transactions in the ordinary course of business with the following related entities at an arms length basis.

33.1 Amount due from related companies

		Group		Company	
As at 31 March		2025	2024	2025	2024
Name of the Company	Relationship	Rs.	Rs.	Rs.	Rs.
Ceylon Hotels Corporation PLC	Parent company	3,798,455	26,759,411	-	-
Galle Face Hotel 1994 (Pvt) Ltd	Affiliate	4,653,237	276,225	-	-
CHC Foods (Pvt) Ltd	Affiliate	3,584,246	3,230,809	-	-
CHC Rest House (Pvt) Ltd	Other related company	643,983	-	-	-
GFH Management Company (Pvt) Ltd	Affiliate	15,015,420	982,841	-	-
Suisse Hotel (Pvt) Ltd	Subsidiary	-	-	9,534,816	39,184,491
Made in Italy (Pvt) Ltd	Affiliate	-	2,606	-	-
Gardiner Group (Pvt) Ltd	Affiliate	-	339,225	-	-
Suisse Hotel Kandy (Pvt) Ltd	Joint venture	26,581,726	33,373,726	-	-
		54,277,067	64,964,843	9,534,816	39,184,491
Less: Provision for expected credit losses		(3,263,133)	(3,141,642)	-	-
		51,013,934	61,823,201	9,534,816	39,184,491

33.1.1 Provision for expected credit losses

	Group 2025	Group 2024	Company 2025	Company 2024
Balance at the beginning of the year	3,141,641	-	-	-
Acquisition through business combinations	-	6,342,977	-	-
(Provision)/ Reversal during the year	668,004	(3,201,336)	-	-
Write-off during the year	(546,512)	-	-	-
Balance at the end of the year	3,263,133	3,141,641	-	-

33.2 Amount due to related companies

		Group		Company	
As at 31 March		2025	2024	2025	2024
Name of the Company	Relationship	Rs.	Rs.	Rs.	Rs.
United Hotels Company Ltd	Subsidiary	-	-	1,125,523,963	121,607,639
CHC Rest House (Pvt) Ltd	Other related company	-	83,937	-	-
Ceylon Hotels Corporation PLC	Parent company	19,120,655	1,426,546	19,120,655	-
Galle Face Group (Pvt) Ltd	Affiliate	15,324,269	315	1,533,586	-
GFH Management Company (Pvt) Ltd	Affiliate	20,424,788	4,737,424	20,424,788	3,343,898
Galle Face Hotel 1994 (Pvt) Ltd	Affiliate	1,115,560	1,615,560	1,115,560	1,115,560
The Galle Face Hotel Company Ltd	Affiliate	28,435,800	36,199,900	500,000	500,000
Ceylon Hotels Maldives (Pvt) Ltd	Sub-Subsidiary	-	-	-	22,200,000
Ceylon Hotel Holdings (Pvt) Ltd	Other related company	163,620	163,620	-	-
Tissa Resort (Pvt) Ltd	Sub-Subsidiary	-	-	23,076,813	-
		84,584,692	44,227,302	1,191,295,365	148,767,097

33.3 Transactions with related parties

Name of the related party	Relationship	Nature of transactions	Terms of transactions	Aggregate value of related party transactions entered into during the period 2025 Rs.	2024 Rs.	Balance as at 31 March 2025 Rs.	2024 Rs.	Aggregate value of related party transactions as a % of revenue
a. Transactions with the parent - Recurring transactions and Non-recurring transactions								
Ceylon Hotels Corporation PLC (CHC)	Parent	Settlement of intercompany loans at the UHCL acquisition	Note C		(1,164,835,549)	(19,120,655)	-	0%
		Expenses paid by CHC on behalf of the Company	Note A	(3,352,772)	-			0%
		Reimbursement of expenses paid by CHC	Note A		-			0%
		Net temporary advances given by CHC	Note B	(15,693,040)	(32,596,783)			-1%
		Settlement of intercompany balances	Note A		(44,718,672)			0%
		Interest income on loan given from the Company	Note C		-			0%
		*Net trade nature movement	Note A	(74,842)	(251,198)			
b. Transactions with Subsidiaries - Recurring transactions								
		Shareholder advance (pending capitalisation)	Note B	292,500,000	-	9,534,816		19%
Suisse Hotel (Pvt) Ltd (SUH)	Subsidiary	Advances Given during the year	Note B	-	20,000,000	-	39,184,491	0%
		Loans granted by the Company to SUH during the year	Note C	-	8,850,000			0%
		Expenses paid by the Company on behalf of SUH	Note A	142,325	217,219			0%
		Interest income on loans granted to SUH during the year	Note C	708,000	523,726			0%
c. Transactions with other related companies - Recurring transactions								
United Hotels Co. Ltd (UHCL)	Subsidiary	Interest Expense on temporary advance	Note A	(65,076,294)	-	(1,125,523,963)	(121,607,639)	-4%
		Expenses paid by UHCL on behalf of the Company	Note A		-			0%
		Temporary advances received from UHCL	Note C	(937,806,728)	(116,499,415)			-62%
		*Net trade nature movement	Note A	(1,033,302)	(1,152,661)			0%
GFH Management Company (Pvt) Ltd. (GFHM)	Affiliate company	Reimbursement of expenses	Note A	5,000,000	5,043,223	(20,424,788)	(3,343,898)	0%
		Services provided by GFHM	Note A	(11,321,876)	(9,794,246)			-1%
		*Net trade nature movement	Note A	(10,759,015)	(378,914)			-1%
Tissa Resort (Pvt) Ltd (TRL)	Sub-subsidiary	Expenses paid by Company on behalf of TRL	Note A	23,187	-	(23,076,813)	-	0%
		Net temporary advances given from TRL	Note A	(23,100,000)	-			-2%
CHC Rest Houses (Pvt) Ltd (CHCRH)	Other related	Expenses paid by CHCRH on behalf of the Company	Note A		-	-	-	0%
		Reimbursement of expenses paid by CHCRH	Note A	-	(5)			0%

Name of the related party	Relationship	Nature of transactions	Terms of transactions	Aggregate value of related party transactions entered into during the period 2025 Rs.	2024 Rs.	Balance as at 31 March 2025 Rs.	2024 Rs.	Aggregate value of related party transactions as a % of revenue
Galle Face Group (Pvt) Ltd (GFG)	Affiliate company	Expenses paid by GFG on behalf of the Company	Note A		-	(1,533,586)	-	0%
		Reimbursement of expenses paid by GFG	Note A		(1,868,327)			0%
		Opening balance transfer	Note A		1,014,927			0%
		*Net trade nature movement	Note A	(1,533,586)	(2,752,320)			0%
The Galle Face Hotel Company Ltd (GFHCL)	Affiliate company	Expenses paid by GFHCL on behalf of the Company	Note A	-	(500,000)	(500,000)	(500,000)	0%
		Reimbursement of expenses paid by GFHCL	Note A	-	-			0%
Gardiner Group (Pvt) Ltd	Affiliate company	Settlement of intercompany balances	Note A	-	1,358,160	-	-	0%
CHC Foods (Pvt) Ltd (CHCF)	Other related company	Expenses paid by CHCF on behalf of the Company	Note A	-	-	-	-	0%
Galle Face Hotel 1994 (Pvt) Ltd (GFH 1994)	Affiliate company	Expenses paid by GFH 1994 on behalf of the Company	Note A	-	(1,115,560)	(1,115,560)	(1,115,560)	0%
Ceylon Hotels Maldives (Pvt) Ltd (CHML)	Sub-subsidiary	Temporary advances received from CHML	Note B	22,200,000	(22,200,000)	-	(22,200,000)	1%

Note A - Transactions carried out in the ordinary course of business and charge at the face value of the expenses.

Note B - Temporary advances given in the ordinary course of business and no interest is charged on the outstanding balances. Payable on demand and short term in nature.

Note C - Terms and conditions related to inter company lendings

* Figures in brackets indicates payables.

33.4 Terms and conditions related to intercompany borrowings/lending

Borrower	Repayment	Interest rate
Suisse Hotel (Pvt) Ltd	On Demand	Fixed interest rate- 8% per annum

Lender	Repayment	Interest rate
United Hotels Company Limited	On Demand	AWPLR+ 1% will be charged w.e.f. 1/10/2023

Transactions with related parties are carried out in the ordinary course of the business and are at arm's length price.

33.5 Recurrent transactions with related parties

Recurrent related party transactions which in aggregate value exceeds 10% of the consolidated revenue of the Group as per March 31, 2025 audited financial statements, which require additional disclosures in the 2024/25 Annual Report under Colombo Stock Exchange listing rule 9.14.8 and Code of Best Practices on Related Party Transactions under the Securities and Exchange Commission Directive issued under section 13(c) of the Securities and Exchange Commission Act are disclosed under Note 33.3 above.

33.6 Non - recurrent transactions with related parties

Name of the related party	Relationship	Value of the related party transaction entered into during the financial year 24/25	Value of the related party transaction entered into during the financial year - 23/24	Value of related party transaction as a % of Equity	Value of related party transaction as a % of Total Assets	Terms and conditions of related party transaction	The rationale for entering into the transaction
a. Transactions with the parent - Non recurring transactions							
Ceylon Hotels Corporation PLC (CHC)	Parent	-	(1,164,835,549)	-10%	-8%	Note A	Settlement of purchase consideration at the time of acquisition of United Hotels Company Limited (UHC)

Note A-

The Company had a related party loan receivable balance as at 14 July 2024 and interest was accrued based on following terms and conditions

Borrower	Repayment	Interest rate
Ceylon Hotels Corporation PLC (CHC)	On Demand	AWPLR + 2% for the Rs. 100 million and AWDR + 1% for the remaining

The transactions were carried out in the ordinary course of business and were at arm's length price.

At the time of UHCL acquisition, related party loan receivable from CHC was set off for the amount payable by CHC to the Company and this has been disclosed as a non recurring transaction in current financial year.

Refer to Note 18.3 for additional details regarding the transaction mentioned above.

33.7 Compensation paid to key management personnel

According to Sri Lanka Accounting Standard 24 'Related Party Disclosures', Key management personnel are those having authority and responsibility for planning, directing and controlling the activities of the entity. Accordingly, the Board of Directors including executive and non-executive Directors have been classified as Key Management Personnel (KMP) of the Company. No emoluments were paid during the year to key management personnel.

33.8 Transactions, arrangements and agreements involving KMP and their Close Family Members (CFM)

CFM of a KMP are those family members who may be expected to influence, or be influenced by, that KMP in their dealings with the entity. They may include KMP's domestic partner and children, children of the KMP's domestic partner and dependants of the KMP or the KMP's domestic partner. CFM are related parties to the Group. There were no transactions carried out with the above parties.

33.9 The Directors have disclosed the nature of their interests in contracts, which is entered in the interests register maintained by the Company.

There are no other related party transactions other than those disclosed above.

34 CONTINGENT LIABILITIES

a) Pending litigations

The Group has contingent liabilities in respect of legal claims arising in the ordinary course of business. It is not anticipated that any material liabilities will arise from such legal claims.

There were no material contingent liabilities for the Group other than those disclosed below, as at the balance sheet date.

The Group is pursuing or is being pursued with legal action on the following legal cases. As per the representation given by the management these cases are still outstanding as at 31 March 2025.

The Kandy Hotels Company (1938) PLC

Name/Institution	Nature	Case No.
H. M Dingiri Menike	Tenant	RE/2645
Pledge Holidays (Pvt) Ltd	Tenant	DMR 972/21
M.W.H. Waheed of Tourist Shopping Centre	Tenant	DMR 02743/19
Labour department	Unpaid budgetary relief allowance	APP/07/22 - HC Kandy
Labour department	Unpaid budgetary relief allowance	APP/73/2022 - HC Kandy

United Hotels Company Limited

Name/Institution	Nature	Case No.
Bentota Pradeshiya Sabha	Operating a SLTDA approved Hotel, without a valid License	25263/MC Balapitiya
Bentota Pradeshiya Sabha	Operating a SLTDA approved Hotel, without a valid License	34452/MC Balapitiya
Bentota Pradeshiya Sabha	Operating a SLTDA approved Hotel, without a valid License	43335/MC Balapitiya
Bentota Pradeshiya Sabha	Operating a SLTDA approved Hotel, without a valid License	51834/MC Balapitiya
Bentota Pradeshiya Sabha	Operating a SLTDA approved Hotel, without a valid License	71863/MC Balapitiya
Bentota Pradeshiya Sabha	Operating a SLTDA approved Hotel, without a valid License	64437/MC Balapitiya
1. Mr.Ranul Deelaka Thanthilage 2. Padmalatha Abeysinghe	Money recovery action filed for a sum of Rs. 50,000,000/- by the defendants allegedly for medical bills, mental stress and loss suffered by them after falling from a broken chair at the EKHO Lake House Hotel ,Polonnaruwa.	DMR/1552/24 - District Court - Colombo

Tissa Resort (Pvt) Ltd

Name/Institution	Nature	Case No.
Labour Department	Unpaid budgetary relief allowance	SC/SPL/LA/286/2023 - Supreme Court
Labour Department	Unpaid budgetary relief allowance	SC/SPL/LA/287/2023 - Supreme Court

Although, there can be no assurance, the Directors believe, based on the information currently available, that the ultimate resolution of such legal procedures would not likely have a material adverse affect on the results of operations, financial position or liquidity of the company. Accordingly no provision for any liability has been made in the financial statements, nor has any liability been determined by the ongoing legal cases, as at 31 March 2025.

35 CAPITAL COMMITMENTS

There were no capital commitments approved by the Board of Directors, but not yet contracted (2023/24- Nil).

36 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group has exposure to the following risks from its use of financial instruments; Credit risk, Liquidity Risk and Market Risk.

The note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risks, and the Group's management of capital. Further, quantitative disclosures are included throughout these consolidated financial statements.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

Financial instruments held by the Group principally comprise of cash, trade and other receivables, trade and other payables, loans and borrowings. The main purpose of these financial instruments is to manage the operating, investing and financing activities of the Group.

Financial risk management of the Group is carried out based on guidelines established by its parent Group's finance department which comes under the preview of the Board of Directors.

The parent company's finance department evaluates financial risk in close co - operation with the hotel operational units. The parent Company provides guidelines for overall risk management as well, covering specific areas such as credit risk, liquidity risk, interest rate risk and foreign currency risk.

The Group has established guidelines for risk controlling procedures and for the use of financial instruments, including a clear segregation of duties with regard to financial activities, settlements, accounting and related controlling. The guide lines and systems are regularly reviewed and adjusted accordingly to changes in markets and products. The Group's Executive Directors monitor these risks primarily through its operating and financing activities.

36.1 Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

36.1.1 Exposure to credit risk

The Group's maximum exposure to credit risk as at the year end based on the carrying value of financial assets in the statement of financial position is given below. There were no off- balance sheet exposures as at the year end date.

	Group				Company			
As at 31 March	2025 Rs.	% allocation	2024 Rs.	% allocation	2025 Rs.	% allocation	2024 Rs.	% allocation
Trade and other receivables	253,282,458	17%	357,723,033	16%	102,965,485	2%	78,968,608	66%
Amount due from related parties	51,013,934	3%	61,823,201	3%	9,534,816	98%	39,184,491	33%
Cash at bank	1,203,835,423	80%	1,882,119,155	81%	9,756,796	0%	849,586	1%
	1,508,131,815		2,301,665,389		122,257,097		119,002,685	

36.1.2 Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers various statistics of the Group's customer base, including the default risk, business relationships with due attention given to past performance, stability in the industry and creditworthiness, as these factors may have an influence on credit risk.

In monitoring customer credit risk, customers are grouped according to the business volumes and consider separately for granting credit limits. Some customers are grading as 'high risk' based on the credit worthiness established through past experience. Such customers are monitored carefully and future sales are made on a prepayment basis.

Please refer to 22.3 for impairment of debtors and 22.5 for trade receivables by credit quality.

36.1.3 Credit risk relating to cash and bank balances

In order to mitigate concentration, settlement and operational risks related to cash and bank balances, the company limits the maximum cash amount that can be deposited with a single counterparty. In addition, the company maintains an authorised list of acceptable cash counterparties based on current ratings and economic outlook, taking into account analysis of fundamentals and market indicators. The Group held cash and bank balances of Rs. 1,210 Million at 31 March 2025 (2024 - Rs. 1,887 Million).

36.2 Liquidity Risk

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

The Group's policy is to hold cash and undrawn committed facilities at a level sufficient to ensure that the Group and company have available funds to meet its medium term capital and funding obligations, including organic growth and acquisition activities, and to meet any unforeseen obligations and opportunities. The Group holds cash and undrawn committed facilities to enable the Group to manage its liquidity risk.

The Group monitors its risk to shortage of funds using a daily cash management process. This process considers the maturity of both the Group's financial investments and financial assets (e.g. accounts receivable, other financial assets) and projected cash flows from operations.

36.2.1 Net (debt)/cash

As at 31 March	Group 2025 Rs.	Group 2024 Rs.	Company 2025 Rs.	Company 2024 Rs.
Cash in hand and at bank	1,209,511,997	1,887,317,671	12,056,795	3,349,585
Total liquid assets	1,209,511,997	1,887,317,671	12,056,795	3,349,585
Interest-bearing loans and borrowings	(1,078,498,135)	(1,364,944,745)	(464,507,499)	(648,894,140)
Bank overdrafts	(333,903,751)	(215,980,271)	(206,142,156)	(134,650,863)
Total liabilities	(1,412,401,885)	(1,580,925,016)	(670,649,655)	(783,545,003)
Net (debt)/cash	(202,889,888)	306,392,655	(658,592,860)	(780,195,418)

36.2.2 Liquidity risk management

The mixed approach combines elements of the cash flow matching approach and the liquid assets approach. The business units attempt to match cash outflows in each time against a combination of contractual cash inflows plus other inflows that can be generated through the sale of assets, repurchase agreement or other secured borrowing.

Maturity analysis

The table below summarises the maturity profile of financial liabilities at 31 March 2025 based on contractual undiscounted payments.

Year ended 31 March 2025 Group	Carrying Amount Rs.	Contractual cash flows Rs.	Within 1 year Rs.	Between 1 to 5 year Rs.	More than 5 year Rs.	Total Rs.
Trade and other payables	634,310,901	634,310,901	634,310,901	-	-	634,310,901
Amounts due to related companies	84,584,692	84,584,692	84,584,692	-	-	84,584,692
Interest bearing loans & borrowings	1,078,498,135	1,130,130,944	345,144,386	784,986,558		1,130,130,944
Lease liability	126,517,145	389,635,454	18,727,311	87,841,476	283,066,667	389,635,454
Bank overdraft	333,903,751	333,903,751	333,903,751	-	-	333,903,751
	2,257,814,624	2,572,565,742	1,416,671,041	872,828,034	283,066,667	2,572,565,742

Year ended 31 March 2025 Company	Carrying Amount Rs.	Contractual cash flows Rs.	Within 1 year Rs.	Between 1 to 5 year Rs.	More than 5 year Rs.	Total Rs.
Trade and other payables	390,446,657	390,446,657	390,446,657	-	-	390,446,657
Amounts due to related companies	1,191,295,366	1,191,295,366	1,191,295,366	-	-	1,191,295,366
Interest bearing loans & borrowings	464,507,500	498,257,314	193,372,490	304,884,824	-	498,257,314
Bank overdraft	206,142,156	206,142,156	206,142,156	-	-	206,142,156
	2,252,391,679	2,286,141,493	1,981,256,669	304,884,824	-	2,286,141,493

Year ended 31 March 2024 Group	Carrying Amount Rs.	Contractual cash flows Rs.	Within 1 year Rs.	More than 1 year Rs.	Total Rs.
Trade and other payables	337,932,169	337,932,169	337,932,169	-	337,932,169
Amounts due to related companies	44,227,302	44,227,302	44,227,302	-	44,227,302
Interest bearing loans & borrowings	1,364,944,745	1,542,253,651	391,386,223	1,150,867,428	1,542,253,651
Lease liability	127,201,672	404,183,234	18,457,311	385,725,923	404,183,234
Bank overdraft	215,980,271	215,980,271	215,980,271		215,980,271
	2,090,286,159	2,544,576,627	1,007,983,276	1,536,593,351	2,544,576,627

36.2.3 Management of liquidity risk

The Group's approach in managing the liquidity is to ensure, as far as possible, that it always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group has access to approved short-term financing facilities from commercial banks, if required.

The Group monitors the level of expected cash inflows on trade and other payables and it is estimated that the maturity of trade receivables as at the reporting date would occur in sufficient quantity and timing, given the historical trends, and currently available information which would enable the Group to meet its contractual obligations.

- Maintaining a diversified funding base and appropriate contingency facilities.
- Carrying a portfolio of highly liquid assets that can be readily converted into cash to protect against unforeseen short-term interruptions to cash flows.
- Monitoring liquidity ratios and carrying out stress-testing of the Company's liquidity position
- Regular reviews on cash flow projections
- Availability of standby overdraft facility to be used in the event of an emergency

36.3 Market risk

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

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices.

Market prices comprise four types of risk:

- Interest rate risk
- Currency risk
- Commodity price risk
- Equity price risk

36.3.1 Interest rate risk

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

The Group and the Company have cash and bank balances including deposits placed with banks and manage interest rate risk by actively monitoring the yield curve trend and interest rate movements for various deposits, cash and bank balances.

The Group's and the Company's interest rate risk objective is to manage an acceptable level of rate fluctuation on the interest expense in order to achieve this objective. The Group and the Company target a composition of fixed and floating borrowings based on assessment of its existing exposure and desirable interest rate profile.

a) Exposure to interest rate risk

The interest rate profile of the Group's interest bearing financial instruments as reported to the management of the Group is as follows.

	Group		Company	
As at 31 March	2025 Rs.	2024 Rs.	2025 Rs.	2024 Rs.
Variable rate instruments				
Interest-bearing borrowings	1,078,498,135	1,364,944,745	464,507,499	648,894,140
Bank overdrafts	333,903,751	215,980,271	206,142,156	134,650,863
	1,412,401,886	1,580,925,016	670,649,655	783,545,003

b) Cash Flow sensitivity for variable rate instruments

The Group's and the Company's exposure to interest rate risk at the end of the financial year are shown in notes 24 and 28 to the financial statements.

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

As at 31 March	Group 2025 Rs.	Group 2024 Rs.	Company 2025 Rs.	Company 2024 Rs.
Variable rate instruments				
1% increase in interest rate	(14,124,019)	15,809,250	(6,706,497)	(7,835,450)
1% decrease in interest rate	14,124,019	(15,809,250)	6,706,497	7,835,450

The Group's borrowings and receivables are carried at amortized costs. The borrowings are periodically contractually repriced and to the extend are also exposed to the risk of future changes in market interest rates.

36.3.2 Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group is exposed to currency risk on mainly borrowings and net investments in foreign subsidiaries that are denominated in a currency other than the respective functional currencies of the Group. These currencies primarily are in US Dollars (USD).

During 2024/25, the Sri Lankan Rupee remained relatively stable compared to the sharp appreciation observed in 2023. This stability was supported by the continuation of a market-based exchange rate regime, improved external sector performance, and the inflow of multilateral funding. While foreign exchange reserves strengthened further, underpinned by sustained tourism earnings, workers' remittances, and disbursements from the IMF's Extended Fund Facility (EFF) and other international agencies, exchange rate fluctuations continued to pose a risk to foreign currency–denominated liabilities and investments. Accordingly, the Group continues to closely monitor currency movements and implement appropriate risk management strategies to mitigate potential impacts on its financial position.

a) Exposure to currency risk

The summary quantitative data about the Group's exposure to currency risk as reported to the management of the Group is as follows,

As at 31 March	2025 Amount in USD	2025 Amount in LKR	2024 Amount in USD	2024 Amount in LKR
Financial Assets				
Fixed Deposit	3,019,870	894,930,148	3,920,897	1,180,910,304
	3,019,870	894,930,148	3,920,897	1,180,910,304
Financial Liability				
Interest-bearing-borrowings	1,721,159	510,060,669	1,922,472	579,017,236
	1,721,159	510,060,669	1,922,472	579,017,236
Net Finance Liability exposure	1,298,711	384,869,479	1,998,425	601,893,068

Closing exchange rate as at 31st March 2025 is Rs. 296.3472/- (2023/2024 - Rs. 301.1837/-).

b) Sensitivity to foreign exchange risk

The following tables demonstrate the sensitivity to a reasonably possible change in the US dollar, with all other variables held constant. The impact on the Group's profit before tax is due to changes in the fair value of monetary assets and liabilities. The Group's exposure to foreign currency changes for all other currencies are not material.

As at 31 March	Increase decrease in exchange rate Rs.	Effect on profit before tax Rs.
USD	1%	3,848,695
	-1%	(3,848,695)

Management of foreign exchange risk

- The Treasury officer analyses the market condition of foreign exchange and analyse the utilisation of cash flows.
- Regularly review timing of foreign currency cash in flows and outflows and takes decisions on whether to reinvest the foreign cash flows or utilise to make the foreign currency payments.
- Looking out forward contract possibilities.

36.4 Capital management

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

The Group manages its capital structure, and makes adjustments to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group and the Company may or may not make dividend payments to shareholders, issue new shares or other instruments.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as debt divided by total capital. Total capital is calculated as 'Total equity' as shown in the statement of financial position.

The gearing ratios at the end of the reporting period were as follows.

	Group		Company	
As at 31 March	2025 Rs.	2024 Rs.	2025 Rs.	2024 Rs.
Trade and other payables	634,310,901	337,932,169	390,446,657	112,032,837
Amounts due to related companies	84,584,692	44,227,302	1,191,295,365	148,767,097
Interest-bearing borrowings and loans	1,412,401,886	1,580,925,016	670,649,655	783,545,003
Less: Cash and cash equivalents	(1,209,511,997)	(1,887,317,671)	(12,056,795)	(3,349,585)
Debts	921,785,482	75,766,816	2,240,334,882	1,040,995,352
Capital (Total equity)	10,063,453,943	9,174,725,647	11,106,095,434	10,462,916,867
Capital and net debt	10,985,239,426	9,250,492,463	13,346,430,316	11,503,912,219
Gearing ratio (Debt to Total Capital) - Times	0.08	0.01	0.17	0.09

37 FINANCIAL INSTRUMENTS

a) Financial instruments by category

The group holds the following financial instruments.

As at 31 March	Group		Company	
	2025 Rs.	2024 Rs.	2025 Rs.	2024 Rs.
Financial assets				
Financial assets not measured at fair value (amortized cost)				
Trade and other receivables	253,282,458	357,723,033	102,965,485	78,968,608
Amount due from related companies	51,013,934	61,823,201	9,534,816	39,184,491
Cash and cash equivalents	1,209,511,997	1,887,317,671	12,056,795	3,349,585
Financial liabilities				
Financial liabilities not measured at fair value (amortized cost)				
Trade and other payables	634,310,901	337,932,169	390,446,657	112,032,836
Interest-bearing borrowings	1,078,498,135	1,364,944,745	464,507,499	648,894,140
Amount due to related parties	84,584,692	44,227,302	1,191,295,365	148,767,097
Bank overdrafts	333,903,751	215,980,271	206,142,156	134,650,863

b) Credit risk relating to cash and cash equivalents

In order to mitigate concentration, settlement and operational risks related to cash and cash equivalents, the Group limits the maximum cash amount that can be deposited with a single counterparty. In addition, the Group maintains an authorised list of acceptable cash counterparties based on current ratings and economic outlook, taking into account analysis of fundamentals and market indicators. The Group held cash and cash equivalents of Rs. 315 Mn as at 31 March 2025 (2024 - Rs. 706 Mn). The cash at bank with counterparties, which are rated AA/A, based on Fitch ratings.

38 EVENTS OCCURRING AFTER THE REPORTING DATE

No circumstance have arisen since the statement of financial position date that require adjustments to, or disclosure in the financial statements.

INVESTOR INFORMATION

ANALYSIS OF ORDINARY SHAREHOLDERS AS AT 31ST MARCH 2025

Share Range	No. of Shareholders	No. of Shares	Holding %
1 - 1000	1,317	286,984	0.04
1001 - 10000	435	1,702,626	0.23
10001 - 100000	182	6,824,018	0.90
100001 - 1000000	52	15,200,720	2.02
1000001 - & Above	22	730,294,905	96.82
Totals	2,008	754,309,253	100.00

ANALYSIS OF PREFERENCE SHAREHOLDERS AS 31ST MARCH 2025

Shareholdings		No. of Shareholders			Total Holdings			Percentage		
		Foreign	Local	Total	Foreign	Local	Total	Foreign	Local	Total
1 to 1000	Shares	15	42	57	1,443	6,430	7,873	2.89%	12.86%	15.75
1001 to 10000	Shares	0	4	4	-	26,336	26,336	0.00%	52.67%	52.67
10001 to 100000	Shares	0	1	1	-	15,791	15,791	0.00%	31.58%	31.58
Totals		15	47	62	1,443	48,557	50,000	2.89%	97.11%	100.00

Shareholdings		No. of Holders	Total Holdings	Percentage
1 to 1000	Shares	57	7,873	15.75
1001 to 10000	Shares	4	26,336	52.67
10001 to 100000	Shares	1	15,791	31.58
Totals		62	50,000	100.00

Class of member	No. of Holders	Total Holdings	Percentage
Individuals	55	17,802	35.60
Company	7	32,198	64.40
Total	62	50,000	100.00

a) Directors Shareholding in the Company

	31st March 2025		31st March 2024	
Name of the Director	Ordinary shares	Preference Shares	Ordinary shares	Preference Shares
Mr. Sanjeev Gardiner	87,500	9,500	87,500	9,500
Mr. Nirmal De Soysa Cooke	Nil	Nil	Nil	Nil
Mr. Pradeep Nilanga Dela	Nil	Nil	Nil	Nil
Mr P P Maddumage	Nil	Nil	Nil	Nil
Mr.Indrajith Fernando	Nil	Nil	Nil	Nil
Mr Shalike Karunasena	Nil	Nil	Nil	Nil

b) Public Shareholding –120,469,503 (2024 – 120,290,003)

c) Percentage of ordinary shares held by public - 15.97% (2024-15.95%)

d) No. of Public shareholders – 1,998 (2024 - 1,957)

e) Highest, lowest and Market value per share from 1st April 2024 to 31st March 2025

Period	Year ended 31st March 2025
Date High	12/20/24
High Rs.	14.20
Date Low	9/11/24
Low Rs.	7.00
Close Rs.	11.50
Trade Vol	4,760
Share Vol	13,252,106
Turnover Rs.	150,918,810
Last Traded date	3/28/25
Days Traded	233

MARKET PRICE PER SHARE FOR THE PERIOD FROM 01/04/2024 TO 31/03/2025

	2024/25		2023/24	
Name of the Director	Date	Share Price Rs.	Date	Share Price Rs.
Highest Market Price	12/20/24	14.20	8/23/23	10.60
Lowest Market Price	9/11/24	7.00	6/6/23	6.70
Closing Market Price	3/28/25	11.50	3/28/24	8.10

MARKET CAPITALISATION

Market capitalisation of the company, which is the number of Ordinary shares in issue multiplied by the closing market value of a share was Rs. 8.67 Bn as at 31st March 2025 (2023/24 - Rs.6.1Bn).

The float adjusted market capitalisation as at 31st March 2025 was Rs. 1,385 Mn (2023/24 - Rs. 974.35 Mn). The Company is not in compliance with the Minimum Public Holding requirements in relation to a Company listed on the Main Board, as per Rule 7.13.1 (a) of the Listing Rules of the Colombo Stock Exchange ("CSE"). The shares have been transferred to the Second Board effective 29 February 2024 due to the aforementioned non-compliance.

Investor Information

TOP 20 SHAREHOLDERS (ORDINARY VOTING) AS AT 31ST MARCH 2025

	Name	Position	No. of Shares	Holding %
1	Ceylon Hotels Corporation PLC	1	528,661,003	70.09
2	Ceylon Hotels Investment (Pvt) Limited	2	49,715,471	6.59
3	Adiuvat Investment Fund	3	36,582,097	4.85
4	Progruss Investments Limited	4	32,863,522	4.36
5	Seylan Bank PLC/Hotel International (Pvt) Limited	5	32,641,938	4.33
6	Hotel International (Private) Limited	6	22,156,619	2.94
7	Mr. N.V.S. Saackville	7	4,368,000	0.58
8	Mr. P.R.F. Collas	8	1,965,250	0.26
9	Mr. G.C. Goonetilleke	9	1,945,755	0.26
10	Mrs. L. Ratwatte	10	1,853,000	0.25
11	Mr. P.V. Gunasekera	11	1,750,000	0.23
12	Mrs. M.F. Gunasekera	11	1,750,000	0.23
13	Mrs. A.U.R. Pethiyagoda	13	1,500,000	0.20
14	Mr. J. Laravoire	14	1,496,250	0.20
15	Mr. E. Laravoire	14	1,496,250	0.20
16	Ms. M. Chevallaz	14	1,496,250	0.20
17	Mr. P. Chevallaz	14	1,496,250	0.20
18	Mr. A. Chevallaz	14	1,496,250	0.20
19	Ms. H. Sauties	14	1,496,250	0.20
20	Mr. J.P. Sauties	14	1,496,250	0.20
21	Mr. J. F. C. Badcock	21	1,034,250	0.14
22	Mr. F. D. M. Badcock	21	1,034,250	0.14
	Subtotal		730,294,905	96.82
	Balance held by others		24,014,348	3.18
	Total number of shares		754,309,253	100.00

TOP 21 SHAREHOLDERS (ORDINARY VOTING) AS AT 31ST MARCH 2024

	Name	Position	No. of Shares	Holding %
1	Ceylon Hotels Corporation PLC	1	528,661,003	70.09
2	Ceylon Hotels Investment (Pvt) Limited	2	49,715,471	6.59
3	Seylan Bank PLC/Hotel International (Pvt) Limited	3	36,890,938	4.89
4	Adiuvat Investment Fund	4	36,582,097	4.85
5	Progruss Investments Limited	5	32,863,522	4.36
6	Hotel International (Pvt) Limited	6	17,906,619	2.37
7	Mr. N.V.S. Saackville	7	4,368,000	0.58
8	Mr. P.R.F. Collas	8	1,965,250	0.26
9	Mr. G.C. Goonetilleke	9	1,945,755	0.26
10	Mrs. L. Ratwatte	10	1,853,000	0.25
11	Mr. P.V. Gunasekera	11	1,750,000	0.23
12	Mrs. M.F. Gunasekera	11	1,750,000	0.23
13	Mrs. A.U.R. Pethiyagoda	13	1,500,000	0.20
14	Mr. J. Laravoire	14	1,496,250	0.20
15	Mr. E. Laravoire	14	1,496,250	0.20
16	Ms. M. Chevallaz	14	1,496,250	0.20
17	Mr. P. Chevallaz	14	1,496,250	0.20
18	Mr. A. Chevallaz	14	1,496,250	0.20
19	Ms. H. Sauties	14	1,496,250	0.20
20	Mr. J.P. Sauties	14	1,496,250	0.20
21	Mr. J. F. C. Badcock	21	1,034,250	0.14
22	Mr. F. D. M. Badcock	21	1,034,250	0.14
	Subtotal		730,293,905	96.82
	Balance held by others		24,015,348	3.18
	Total number of shares		754,309,253	100.00

5 YEAR AT A GLANCE

Year Ended	31st March 2025 Rs.		31st March 2024 Rs.		31st March 2023 Rs.		31st March 2022 Rs.		31st March 2021 Rs.	
	Group	Company	Group Restated	Company	Group	Company	Group	Company	Group	Company
Trading Results										
Turnover	1,506,059,786	527,146,829	1,223,258,331	594,884,827	309,339,828	309,339,828	181,218,816	181,218,816	145,045,475	145,045,475
Profit / (Loss) Before Tax	52,315,271	(127,774,238)	(100,396,181)	(80,810,145)	(69,080,146)	(63,995,545)	(155,361,865)	(223,602,228)	(167,541,616)	(52,918,653)
Taxation	59,570,329	37,840,419	(19,459,543)	18,021,089	48,276,695	48,276,695	1,081,928	1,081,928	(153,754)	(153,754)
Net Profit/(Loss) for the Year	111,885,601	(89,933,819)	(119,855,724)	(62,789,056)	(20,803,451)	(15,718,850)	(154,279,937)	(222,520,300)	(167,695,370)	(53,072,407)
Property Plant & Equipment	12,252,342,987	10,166,930,512	10,593,518,606	8,462,050,559	8,511,705,269	8,511,705,269	8,572,370,586	8,572,370,586	7,461,020,648	7,461,020,648
Intangible Assets	2,840,216	520,301	2,040,024	724,609	8,357,689	8,357,689	12,085,570	12,085,570	16,777,238	16,777,238
Right-of-use Assets	103,136,154	-	108,333,072	-	-	-	-	-	-	-
Investment in subsidiary	-	4,718,064,472	-	4,718,064,472	-	176,421,177	-	176,421,177	-	352,843,177
Investment in Joint Venture	582,519,723	-	145,383,158	-	318,510,978	-	-	-	107,984,127	-
Investment in equity securities	-	-	-	-	731,741,321	731,741,321	600,000,000	600,000,000	525,000,000	525,000,000
Non Current Assets	12,940,839,080	15,208,515,285	10,849,274,860	13,180,839,640	9,570,315,257	9,428,225,456	9,184,456,156	9,360,877,333	8,110,782,013	8,355,641,063
Current Assets	1,760,731,191	292,582,018	2,435,280,773	185,868,749	1,335,964,459	1,341,558,005	1,253,667,043	1,253,667,043	1,195,378,431	1,195,349,134
Current Liabilities	1,442,696,281	1,976,753,552	950,431,325	604,361,802	523,487,347	523,339,189	377,047,343	376,390,241	293,009,238	292,520,349
Net Current Assets	318,034,910	(1,684,171,534)	1,484,849,448	(418,493,053)	812,477,112	818,218,816	876,619,700	877,276,802	902,369,193	902,828,785
Capital Employed	13,258,873,990	11,307,802,081	12,334,124,308	12,762,346,587	10,382,792,369	10,246,444,272	10,061,075,856	10,238,154,135	9,013,151,206	9,258,469,848
Less : Non Current Liabilities										
Interest bearing loans & borrowings	720,514,574	288,426,540	1,043,121,002	447,232,011	483,769,786	483,769,786	527,786,602	527,786,602	547,616,226	547,616,226
Deferred Tax Liabilities	2,343,827,765	2,123,877,048	2,083,802,544	1,847,510,373	1,876,923,268	1,876,923,268	860,393,691	860,393,691	715,767,993	715,767,993
Lease Liabilities	107,392,183	-	107,993,762	-	-	-	-	-	-	-
Retirement Benefit Obligations	23,730,665	5,944,730	15,738,570	4,687,336	4,076,483	4,076,483	3,802,041	3,802,041	4,553,721	4,553,721
NET ASSETS	10,063,408,803	11,106,095,434	9,083,468,430	10,462,916,867	8,018,022,832	7,881,674,735	8,669,093,522	8,846,171,801	7,741,798,836	7,987,117,479
SHARE CAPITAL & RESERVES										
Paid-up- capital	2,661,816,425	2,661,816,425	2,661,816,425	2,661,816,425	16,750,000	16,750,000	16,750,000	16,750,000	16,750,000	16,750,000
Reserves	7,401,592,378	8,444,279,008	6,421,652,005	7,801,100,442	8,001,272,832	7,864,924,735	8,652,343,522	8,829,421,801	7,725,048,836	7,970,367,479
Share Holders Funds	10,063,408,803	11,106,095,433	9,083,468,430	10,462,916,867	8,018,022,832	7,881,674,735	8,669,093,522	8,846,171,801	7,741,798,836	7,987,117,479
Ratios And Statistics										
Current Ratio	1.22	0.15	2.56	0.31	2.55	2.56	3.32	3.33	4.08	4.09
Earnings/(Losses) per Ordinary Share (Rs.)	0.15	(0.12)	(0.17)	(0.09)	(0.04)	(0.03)	(0.27)	(0.39)	(0.29)	(0.09)
Net Assets per Ordinary Share (Rs.)	13.34	14.72	12.04	13.87	13.88	13.65	15.01	15.32	13.41	13.83
Market Shareholder Information										
No of shares in issue	-	754,309,253	-	754,309,253		577,500,000		577,500,000		577,500,000
Highest	-	13.50	-	10.60		9.80		10.2		5.9
Lowest	-	10.00	-	6.70		5.10		4.5		4.7
Market Capitalisation	-	8,674,556,410	-	6,109,904,949		4,331,250,000		3,984,750,000		3,060,750,000

NOTICE OF ANNUAL GENERAL MEETING

THE KANDY HOTELS COMPANY (1938) PLC – PQ 201

NOTICE IS HEREBY GIVEN that the 96th Annual General Meeting of The Kandy Hotels Company (1938) PLC (KHC) will be held as a Virtual Meeting on 26th September 2025 at 2.00 p.m., assembled at the Corporate Office No.327, Union Place, Colombo 02 via Audio/Video Technology for the purpose of conducting the following businesses:

1. To receive, consider and adopt the Annual Report of the Board of Directors on the affairs of the company, the Audited Accounts for the year ended 31st March 2025 and the Report of the Auditors thereon.
2. To re-elect Mr. Sanjeev Gardiner who retires by rotation in terms of Article 91 and Article 93 of the Article Articles of Association.
3. To re-elect Mr. Indrajith Fernando who was appointed to the Board on 20th December 2024 in terms of Article 95a of the Articles of Association.
4. To re-elect Mr. Nirmal De Soysa Cooke who was appointed to the Board on 10th February 2025 in terms of Article 95a of the Articles of Association.
5. To re-appoint Messrs. Ernst & Young, Chartered Accountants, and the retiring Auditors for the ensuing Financial Year and authorise the Directors to fix their remuneration.
6. To authorise the Directors to determine donations for 2025/2026 and up to the next Annual General Meeting date.
7. To transact any other business that may properly be brought before the meeting.

By order of the Board of Directors of
THE KANDY HOTELS COMPANY (1938) PLC

(Sgd.)
Deloitte Corporate Services (Private) Limited
Company Secretaries

Colombo, this 31st August 2025

Note:

a. Only persons who are shareholders of the Company and whose names appear on the Share Register as of the AGM date will be entitled to attend the above meeting.

b. A shareholder entitled to attend and vote at the above meeting is required to complete and submit a pre-registration form in order to ensure participation at the AGM of the Company. Only members of KHC are entitled to take part in the AGM of KHC.

c. A Pre-registration form is enclosed for this purpose to be completed by KHC Shareholders only.

d. A member entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote on his/her behalf. A proxy need not be a member of the Company.

e. A form of proxy is enclosed for this purpose.

The instruments for registration and appointing a proxy must be completed and deposited at the Deloitte Corporate Services (Private) Limited, No. 100, Braybrooke Place, Colombo 07, 48 hours before the meeting or e-mail to afirdhous@deloitte.com

g. For more information on how to participate by virtual means in the above meeting, please refer to the supplementary notice to shareholders.

FORM OF PROXY

THE KANDY HOTELS COMPANY (1938) PLC
(Company Registration No PQ 201) No.327, Union Place, Colombo 02

I/We ....

bearer of NIC) ....of

....

being a shareholder/shareholders of The Kandy Hotels Company (1938) PLC, hereby appoint:

- Full name of proxy : ……………………………………………………………….......…………………………………………………..........……
- NIC of Proxy : ……………………………………………………………….......…………………………………………………..........……
- Address of Proxy : ……………………………………………………………….......…………………………………………………..........……
- Contact Numbers : Land - ……………………………….......….…. Mobile - ……………………………….......….…
- Email address : ……………………………..………...……..................

failing him/her

Mr. Sanjeev Gardiner of Colombo	(or failing him)
Mr. Priyantha Pushpakumara Maddumage of Colombo	(or failing him)
Mr. Pradeep Nilanga Dela of Colombo	(or failing him)
Mr. Chaminda Shalike Karunasena of Colombo	(or failing him)
Mr. Indrajith Fernando of Colombo	(or failing him)
Mr. Nirmal De Soysa Cooke of Colombo	

as my/our Proxy to represent me/us** to vote for me/us on my/our behalf at the 96th Annual General Meeting of the Company to be held on 26th September 2025 and at any adjournment thereof and at every poll which may be taken in consequence thereon.

I/We** the undersigned, hereby direct my/our* proxy to speak and vote for me/us and on my/our behalf on the resolution set out in the Notice convening the meeting, as follows:

	For	Against
1. To receive, consider and adopt the Annual Report of the Board of Directors on the affairs of the company, the Audited Accounts for the year ended 31st March 2025 and the Report of the Auditors thereon.		
2. To re-elect Mr. Sanjeev Gardiner who retires by rotation in terms of Article 91 and Article 93 of the Article Articles of Association.		
3. To re-elect Mr. Indrajith Fernando who was appointed to the Board on 20th December 2024 in terms of Article 95a of the Articles of Association.		
4. To re-elect Mr. Nirmal De Soysa Cooke who was appointed to the Board on 10th February 2025 in terms of Article 95a of the Articles of Association.		
5. To re-appoint Messrs. Ernst & Young, Chartered Accountants, and the retiring Auditors for the ensuing Financial Year and authorise the Directors to fix their remuneration.		
6. To authorise the Directors to determine donations for 2025/2026 and up to the next Annual General Meeting date.		
7. To transact any other business that may properly be brought before the meeting.		

In witness my/our** hands this .... day of .... Two Thousand and Twenty-Five (2025).

....
Signature of Shareholder

Notes: * Please indicate your folio number given in the address sticker carrying this annual report pack, ** Instructions as to completion appear overleaf, ***Please indicate with an “x” in the space provided, how your Proxy is to vote on the Resolutions.
If no indication is given, the Proxy in his discretion will vote as he thinks fit.

Form of Proxy

INSTRUCTIONS AS TO COMPLETION

1. Kindly perfect the Form of Proxy by filling in legibly your full name, address and the National Identity Card number and by signing in the space provided and filling in the date of signature.
2. A proxy need not be a shareholder of the Company. However, the proxy must be above 18 years of age.
3. The completed form of proxy must be deposited at the Deloitte Corporate Services (Private) Limited, No. 100, Braybrooke Place, Colombo 02, or e-mail to the Company Secretaries via e-mail afirdhous@deloitte.com not less than forty-eight hours before the time fixed for the meeting
4. If you wish to appoint a person other than the Chairman or a Director of the Company, please insert the relevant details at the space provided (above the names of the Board of Directors) on the Proxy Form.
5. If the Form of Proxy is signed by an Attorney, the relative Power of Attorney should accompany the Form of Proxy for registration, if such Power of Attorney has not already been registered with the Company.
6. If the appointer is a company/ Incorporated body, this form must be executed in accordance with the Articles of Association/ Statute.

CORPORATE INFORMATION

NAME OF THE COMPANY
The Kandy Hotels Co. (1938) PLC

COMPANY REGISTRATION NUMBER
PQ 201

LEGAL FORM
A public quoted company with limited liability incorporated in Sri Lanka in 1924

STOCK EXCHANGE LISTING
The ordinary shares of the Company are listed with the Colombo Stock Exchange of Sri Lanka

DIRECTORS
Mr. Sanjeev Gardiner - Chairman

Mr. Priyantha Maddumage

Mr. Pradeep Nilanga Dela

Mr. Shalike Karunasena

Mr. Asela Indrajith Fernando – Independent Non-Executive Director

Mr. Nirmal De Soysa Cooke – Senior Independent Director

REGISTERED OFFICE
No. 327, Union Place, Colombo 02

Tel :- 011 7657900, 011 2421847

Email : Corporateoffice@ceylonhotels.net

Corporate website : www.chcplc.com

MANAGERS OF THE QUEENS HOTEL AND HOTEL SUISSE
Galle Face Group (Pvt) Limited

HOTEL RESERVATIONS
Ceylon Hotels Corporation PLC
No.327, Union Place, Colombo 02

Tel : 011 7765555

Email : reservations.queens@kandyhotels.lk
reservations.suisse@kandyhotels.lk

Website : www.queenshotel.lk , www.hotelsuisse.lk

SECRETARIES
Deloitte Corporate Services (Private) Limited
No.100, Braybrooke Place, Colombo 02.

Tel : 011 7719700

EXTERNAL AUDITORS
Messrs. Ernst & Young
Chartered Accountants
No 839/2 Peradeniya Road,
Kandy.

Tel:- 011-5426426

BANKERS
Commercial Bank of Ceylon PLC

Nations Trust Bank PLC

Hatton National Bank PLC

Sampath Bank PLC

Designed & produced by
emagewise

The Kandy Hotels Co. (1938) PLC
No.327, Union Place, Colombo 02.

www.queenshotel.lk
www.hotelsuisse.lk