

PEGASUS HOTELS OF CEYLON PLC

A Carson Cumberbatch Company



PEGASUS REEF

the city resort that's just right!

Annual Report 2024/25

CONTENT

Chairman’s Statement	2
Management Discussion & Analysis	4
Directors Profiles	7
Risk Management	10
Annual Report of the Board of Directors on the Affairs of the Company	13
Nominations and Governance Committee Report	31
Related Party Transactions Review Committee Report	37
Audit Committee Report	40
Financial Calendar	45
Independent Auditor’s Report.....	46
Statement of Profit or Loss and other Comprehensive Income ...	50
Statement of Financial Position.....	51
Statement of Changes in Equity.....	52
Statement of Cash Flows	53
Notes to the Financial Statements	54
Five Year Summary	107
Statement of Value Added	109
Information to Shareholders and Investors	110
Notice of Meeting.....	112
Form of Proxy.....	115
Corporate Information	IBC



This report can be accessed online at
<https://www.carsoncumberbatch.com>



CHAIRMAN'S STATEMENT

As the hospitality industry continues to evolve, we remain focused on aligning our portfolio with emerging market dynamics and long-term value creation.

Dear Shareholders,

On behalf of the Board of Directors, I am honoured to welcome you to the 59th Annual General Meeting of Pegasus Hotels of Ceylon PLC. It is my pleasure to present to you, the annual report and financial statements of the Company and the Group for the financial year ended 31st March 2025.

The year under review saw Sri Lanka's tourism sector posting record growth numbers, rebounding from the setbacks caused by consecutive calamities in recent years. Tourist arrivals exceeded 2 Mn in 2024, generating USD 3.17 Bn in tourism revenue, an impressive 53% increase over the prior year. The recovery was driven primarily by visitors from key source markets including India, the United Kingdom, Germany and Russia. The 38% increase in Indian tourists over the prior year was particularly notable, supported by improved air connectivity and visa-on-arrival facilities. European markets also reported strong growth, incentivised by Sri Lanka's unique blend of cultural heritage, wildlife experiences and scenic coastlines.

Sri Lanka is on the path to economic recovery with the stabilisation of the macroeconomic environment and reduced domestic uncertainties. Since 2022, Sri Lanka has made key reforms aiming to restore economic stability, gaining acknowledgement and approval by International Monetary Fund (IMF) for the third review of its Extended Fund Facility (EFF) programme. Improved foreign exchange inflows from tourism and foreign remittances led to a 10.7% appreciation of the LKR against the US dollar by end-2024, while easing inflation reduced cost pressures and boosted consumer confidence.

In this backdrop, the financial year 2024/2025 began on a positive note for us, marked by growth in business, especially from India and other emerging markets, reflecting the wider trend of tourist arrivals to the country as explained previously. The weddings segment recorded modest growth, reflecting evolving consumer behaviour and a shift toward smaller, more intimate celebrations. We adapted our service offerings in response to changing customer preferences and increased price sensitivity, to maintain our competitive position. The MICE (Meetings, Incentives, Conferences, and Exhibitions) segment posted positive performance, with a rise in corporate events, day outings, and banquet functions. However, pricing flexibility remained constrained due to intense rate competition among peers.

Amidst the active efforts of our teams to strengthen relationships with key stakeholders, and the continuous investments in marketing initiatives, the Company recorded an occupancy of 63% for the year. This compares with an occupancy rate of 47% in the previous year and demonstrates the Group's steady progress towards pre-pandemic occupancy levels. However, intense competition continued to weigh on the room rates as well, affecting the Company's overall performance in the year. The year closed with a consolidated revenue of LKR 1.14 Bn marking a YoY growth of 23%. The consolidated EBITDA for the year amounted to LKR 45.5 Mn a notable improvement from the previous year.

During the financial year, the Company divested its entire holding in Equity Hotels Limited (Giritale Hotel) for a consideration of LKR 243.5 Mn. This decision was made following careful evaluation to focus resources on our core asset. Giritale, as a destination, has been losing its appeal in comparison to more favoured tourist hubs such as Sigiriya and Habarana, further reinforcing the strategic rationale for the exit. Given the significant capital investment required to maintain competitiveness and its relatively small scale, the divestment will enable us to optimise operational efficiencies and strengthen the balance sheet, thereby enabling more sustainable and meaningful future growth.

With the expansion of highway networks and a growing preference for newer urban properties, the traditional transit hotel model is gradually losing its appeal among contemporary travellers. To capitalise on this shift, the Company has embarked on a refurbishment plan to further strengthen its position as a city resort destination. Part of the funds from the Giritale Hotel divestiture, alongside a portion of the proceeds obtained from the Rights Issue carried out in 2023, are being allocated to support these initiatives.

The hospitality industry is facing growing pressure from the rise of homestays, other unregistered tourist establishments, and specialised event venues. Many of these operators function outside formal regulatory frameworks, often without proper licensing or tax contributions, creating an uneven playing field for compliant businesses and potentially affect the country's reputation as a reliable and quality tourism destination.

This structural challenge is compounded as the sector continues to grapple with a shortage of skilled workers, with many experienced professionals seeking better prospects overseas. This talent gap has placed added pressure on service standards, whilst consumer expectations continue to grow more sophisticated and personalised.

Fully cognizant of these converging forces, we have navigated the evolving environment by staying closely attuned to emerging consumer trends and adapting our offerings to remain relevant and responsive.

While we acknowledge the importance of catering to value-conscious travellers, we also believe that sustainable growth in the sector lies in attracting higher-spending tourists, who appreciate bespoke experiences and are willing to invest in quality service and authentic hospitality. We believe that it is in this segment that true long-term value can be found, both for the industry and the broader economy.

Despite the challenges, the outlook for Sri Lanka's tourism industry remains positive, underpinned by growing regional interest and the rising popularity of Asia as a preferred travel destination. Sri Lanka, with its diverse offerings and unique cultural appeal, is well-positioned to benefit from this momentum. To capitalise on these trends and in driving future growth, sustained efforts by stakeholders to enhance infrastructure, diversify experiences, and strengthen marketing will be critical. As the hospitality industry continues to evolve, we remain focused on aligning our portfolio with emerging market dynamics and long-term value creation.

In closing, I extend my heartfelt gratitude to all my fellow Board members whose unwavering support and counsel have been instrumental in our continued progress. I would also like to thank all our business partners, guests, dedicated employees and other stakeholders for their respective support extended throughout the year. A special note of appreciation goes to Mr. S. R. Mather, who is stepping down from the Board this year, for his invaluable contributions, strategic insights, and dedication to our organisation's growth over the years. At the same time, I warmly welcome our incoming directors, Mr. A. S. Amaratunga, Mr. S. Marimuthu and Mr. D.R.P. Goonetilleke, whose diverse skills and fresh perspectives will undoubtedly strengthen our Board's capability to navigate future opportunities and challenges. Finally, I wish to thank all our shareholders for your continued trust, cooperation, and confidence in our vision as we move forward together.

(Sgd.)

M. Dayananda
Chairman

25th June 2025

MANAGEMENT DISCUSSION & ANALYSIS

Continuing strategic investments in service excellence and experiential offerings will remain a priority for us, as we aim to strengthen our competitive positioning

GLOBAL CONTEXT

The global tourism industry rebounded strongly in 2024, nearing pre-pandemic levels with 1.4 Bn tourists traveling internationally. The Middle East saw remarkable growth, while Europe and Africa also surpassed pre-pandemic figures. This recovery was fuelled by increased travel demand, market improvements, and growing outbound travel from emerging economies like India. Key trends include a rising preference for cultural and immersive experiences. Technology continues to reshape the industry through AI-driven recommendations, seamless mobile bookings, and real-time updates for improved traveller personalisation and convenience.

LOCAL CONTEXT

Sri Lanka's economy showed strong recovery in 2024 with a 5.0% GDP growth, driven by agriculture, industry, and services. Effective fiscal policies, the International Monetary Fund's (IMF) Extended Fund Facility, and the completion of the country's external debt restructuring fuelled this rebound, boosting investor confidence. Inflation picked up in early 2024 but turned deflationary by September, aided by lower electricity tariffs and global commodity price moderation. The Central Bank of Sri Lanka (CBSL) streamlined monetary policy framework, introducing a single policy rate of 8.0% in November to stimulate lending and support economic growth.

Sri Lanka's tourism sector experienced a significant resurgence during 2024, marking its strongest performance since 2019. The influx of tourists was driven by improved global air connectivity, with India remaining the top source market. Other significant contributors included Russia, the UK, Germany, and China. Sri Lanka aims to attract 3 Mn tourists in 2025 and eventually reach 5 Mn annual visitors, generating USD 8.5 Bn in revenue.

The focus is on enhancing tourism quality, increasing daily spending, and promoting sustainable practices. Strategic investments in regional diversification, targeted marketing, and high tourism standards are crucial to sustaining growth trends and overcoming challenges, thereby positioning Sri Lanka as a key global travel destination.

OUR OPERATIONAL CONTEXT

The enhanced performance of traditional and online tour operators played a significant role in boosting occupancy of Pegasus Reef Hotel (the Company) throughout the year. To sustain this upward trend, the Company prioritised building strong relationships with key stakeholders through targeted efforts, including strategic visits to important source markets. In alignment with these market development strategies, we also introduced specialised staff to our culinary team. This step demonstrates the Company's commitment to personalisation and cultural resonance in enhancing guest satisfaction.

Amid increasing price sensitivity, shifts in consumer behaviour, particularly the inclination toward smaller-scale functions, remain a notable concern. In response, the Company leveraged its distinctive offerings, particularly outdoor garden and beach venues, to remain competitive against standalone banquet halls. To further cater to evolving consumer preferences, diversified package offerings were introduced, garnering significant traction. The period also saw a notable increase in guests visiting for day outings and other functions by 25%, supported by large-scale events hosted by our esteemed corporate clientele.

FINANCIAL PERFORMANCE

In March 2025, we concluded the divestment of the entire stake in our sole subsidiary, Equity Hotels Limited (Giritale Hotel). The transaction was valued at LKR 300 Mn, of which LKR 56.5 Mn was directly infused by the buyer to settle the Giritale hotel's outstanding borrowings, resulting in a net equity value of LKR 243.5 Mn. This decision reflects our disciplined approach to capital allocation, redirecting resources toward opportunities that offer better returns on invested capital and stronger growth prospects. Giritale Hotel recorded a revenue of LKR 169.6 Mn during the year under review, supported by an occupancy level of 55%.

During the year under review, the Pegasus Reef Hotel recorded a revenue growth of 25%, reaching LKR 968.7 Mn, primarily driven by the improved occupancy levels. Food and beverage revenue increased by 14.3% to LKR 515.6 Mn, benefiting from higher wedding, MICE, and special event activities. In tandem with higher activity levels and increased personnel costs, direct costs increased by 12.1% or LKR 70.1 Mn to LKR 649.4 Mn, while the reduction in electricity costs by LKR 30.1 Mn, due to tariff adjustments, partially offset these increases.

During the year, the Company achieved an occupancy of 63%, nearing pre-pandemic levels. However, pricing power remains constrained due to intense competition from both formal and informal accommodation providers, limiting our ability to pass on the steep cost escalations stemming from inflationary pressures and exchange rate depreciation in the past. The Average Room Rate (ARR) experienced a modest increase of 6% during the year, inadequate to counteract the impact of rising operating costs. As a result, profitability continued to lag behind pre-pandemic levels despite occupancy reaching near pre-pandemic levels. Looking ahead, restoring historical profit margins will remain a challenge, and we continue to pursue targeted value additions and differentiated offerings to strengthen pricing and improve profit margins. However, these initiatives require upfront investments, which will place temporary pressure on short-term earnings.

In line with this strategy, having deferred significant property investments during the challenging operating environment of recent years, we are now prioritising property refurbishments and facility upgrades to elevate guest experience and ensure our assets remain competitive and attractive. As a result, this year's maintenance expenses rose by LKR 25.2 Mn, while we invested a total of LKR 16.9 Mn in soft refurbishment of 21 of our rooms. Following the completion of this phase, refurbishment work has already commenced on an additional 31 rooms, which are scheduled to be completed by July 2025. The much-needed restaurant refurbishment is progressing as planned to our signature 'Rasaketha' restaurant, as a part of our comprehensive property enhancement strategy. We also made investments of LKR 19.4 Mn in health and safety enhancements during the year, guided by our commitment to the well-being of our people and guests. On a prudent basis most of these costs were expensed to the Profit or Loss Statement, ensuring a more transparent view of our financial performance. While this decision has had a short-term impact on earnings as aforementioned, we believe it reflects our commitment to operating with integrity and prioritising long-term sustainability over short-term gains.

During the year, the Hotel's administration expenses increased by 26.5%. Personnel costs, which constitute the largest share of administrative expenses, rose by LKR 31.6 Mn, reflecting the ongoing investment in our people, ensuring they have the support, training, and rewards they deserve for their dedication to excellence. Attracting and retaining experienced talent continues to be challenging and costly, given the ongoing talent shortage in the hospitality sector and rising competition from new and upcoming properties. In addition to the above, a one-time ex-gratia payment was made to the staff of Giritale Hotel in recognition of their dedicated service as they transitioned out of the Carsons Group. While not mandatory, this gesture reflects our commitment to treating people with dignity and respect and reinforces our value-driven culture.

MANAGEMENT DISCUSSION & ANALYSIS

During the year under review, we continued investments on brand-building and customer engagement initiatives, resulting in a LKR 18.9 Mn increase in advertising and promotional expenses. Consequently, sales and distribution expenses rose to LKR 70.0 Mn, up from LKR 38.4 Mn in the previous year - an 82% increase.

Despite rising costs, operational performance showed significant improvement, with the Company reporting an operating loss of LKR 11.6 Mn, a 76% reduction compared to the previous year's loss of LKR 48.4 Mn. When adjusted for one-off expenses, the ex-gratia payment and soft refurbishment costs, the Company's adjusted operating profit amounted to LKR 18.1 Mn.

The lower interest rate environment that prevailed throughout the year led to a marginal decrease in interest income by 5% even amidst an increase in fixed deposit investments. However, as a result, the finance cost reduced by 37% further supported by the settlement of borrowings. Exchange losses also reduced to LKR 1.1Mn from LKR 6.2Mn in the previous year, primarily due to more stable exchange rates on our foreign currency deposits. The divestment of Giritale Hotel resulted in a disposal loss, including all related transaction costs, of LKR 21.8 Mn at Company level and a gain of LKR 6.6 Mn at Group level. Adjusting for this one-off loss, the Company's loss before tax marked an improvement by 69% from the previous year. The deferred tax expense recognised during the year primarily stems from taxable profits generated in the current period and the write-off of expired tax losses.

The Company's earnings adjusted for extraordinary items that affected this year's results as aforementioned offer a better reflection of our underlying earning capacity, recognising that the expenses incurred this year are investments that will benefit future performance and profitability of the Company.

During the year, we managed to strengthen our cash position due to improved operational results, while also actively investing in capital expenditure. Consequently, the Company's net debt was reduced by 50% to LKR 42.2Mn. Our cash position further strengthened following the disposal of Giritale Hotel.

FUTURE OUTLOOK

The outlook for the tourism and hospitality sectors in Sri Lanka appears promising, fuelled by strategic initiatives and strong market performance. We remain cautiously optimistic about the year ahead, supported by the continued recovery of Sri Lanka's tourism sector and growing demand from key regional markets. Continuing strategic investments in service excellence and experiential offerings will remain a priority for us, as we aim to strengthen our competitive positioning while navigating an evolving operating environment. While these investments will exert some pressure on short-term margins, we believe they are critical to positioning our assets for sustained competitiveness and relevance in an increasingly discerning market.

Carsons Management Services (Private) Limited

25th June 2025

DIRECTORS PROFILES

MAHENDRA DAYANANDA – CHAIRMAN

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

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

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

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

Earlier he was a Founder Managing Director commencing 1st January 1980 and subsequently the Chairman of Tea Tang (Private) Limited.

KRISHNA SELVANATHAN

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

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

SUJENDRA MATHER

(Resigned w.e.f. 31st July 2024)

Sujendra is currently the CEO and Head of Investment Banking at Asia Securities Holdings Pvt. Ltd., a leading Investment firm in Sri Lanka covering Equities, Asset Management and Investment Banking. Prior to this, he was a co-founder and Managing Director of York Street Partners Pvt. Ltd., a leading boutique Investment Banking firm in Sri Lanka. Previously, Sujendra has

had over 15 years of international Investment Banking and Corporate Finance experience working with Houlihan Lokey Howard & Zukin, John Keells Holdings PLC and Deloitte & Touche Corporate Finance in the US, Sri Lanka and Singapore respectively.

Sujendra has successfully managed and lead several billion dollars of Mergers & Acquisitions, Fund Raising, Restructuring and Strategic Advisory transactions in the North America and Asia Pacific regions across the Consumer, Retail, Financial Services, Manufacturing, Real Estate, Hospitality, Infrastructure, Technology and Mining sectors. He has acted both as a key strategic advisor to CEO's and entrepreneurs as well as a principal investor throughout his career.

Also, Sujendra is a board member of several publicly listed and private companies in Sri Lanka and overseas.

Sujendra received a B.A. in Economics-Mathematics from Claremont McKenna College in California, USA and recently completed a Wharton Executive Education Program on Economics of Blockchain and Digital Assets.

MICHAEL ELIAS

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

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

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

DIRECTORS PROFILES

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

SIVANANDAN MARIMUTHU (Appointed w.e.f. 31st July 2024)

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

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

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

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

Currently, Siva consults SME's and shares his extensive experience with them.

DILUKSHAN RANIL PIERIS GOONETILLEKE (Appointed w.e.f. 31st July 2024)

Mr. Ranil Goonetilleke is a Fellow of the Chartered Institute of Management Accountants, UK. Consequent to initial training at KPMG, he has held various positions in the mercantile sector in the field of Finance and counts over 35 years' experience.

He joined the Carsons Group in 1998 as a Financial Controller and in 2005 was appointed as Finance Director of Brewery Sector, which post he held until his retirement in December 2023. He is the immediate past Chairman of the Exporters Association of Sri Lanka of the Ceylon Chamber of Commerce. He serves on the Boards and Audit Committees of Lion Brewery Ceylon PLC, Pegasus Hotels of Ceylon PLC, Namunukula Plantations PLC & Ceylinco Holdings PLC and is also Director at Carsons Management Services (Private) Ltd. He also serves as a Board Member of the National Council for Child and Youth Welfare.

AMITHA SAKTHA AMARATUNGA (Appointed w.e.f. 25th September 2024)

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

Previously, Regional Audit Controller (Asia Pacific) for British American Tobacco, he has more than 20 years' experience with British American Tobacco, having performed senior finance roles for the Group in Sri Lanka and the United Kingdom, and also being the Finance Director of British American Tobacco Operations in the Czech Republic, Sri Lanka, Switzerland, Japan and Malaysia (IT Shared Services Organisation). He was also an Independent Non Executive Director and Chair of the Audit Committee at Hemas Holdings till November 2024.

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

VIBATH WIJESINGHE

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

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

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

RISK MANAGEMENT

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

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

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

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

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

- Corporate Governance
- Quality of business planning
- Audit planning
- Project planning and implementation
- Building confidence of various stakeholder groups

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

ENTERPRISE RISK MANAGEMENT PROCESS



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

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

Risk	Impact	Risk Responses and Strategies
Competition	Inability to achieve target turnover.	<p>The company manages this risk by means of the following actions and procedures.</p> <ul style="list-style-type: none"> • Maintains and builds relationships with tour operators. • Participates in relevant trade and business promotions, locally and internationally. • Maintains value and standard of the hotel through regular refurbishments and training and development of employees. • Developing and monitoring comprehensive business plans. • Diversification of revenue base. • Establish a unique identity.
Food Safety Risk	Guest health concerns, damage to the hotel's reputation, and potential legal consequences.	<p>Management has taken steps to closely monitor this risk. Some of the key controls are listed below.</p> <ul style="list-style-type: none"> • Routine food, health, safety, and kitchen audits by independent third-party experts. • Making available samples of food items of each batch for inspection. • Regular temperature control monitoring of the refrigerators/ cool rooms. • Routing training & awareness among purchasing, stores, kitchen, F&B staff. • ISO audits to ensure the compliance with food hygiene protocols. • Public Liability insurance covers to mitigate possible legal damages, in the event all preventions fail.
Credit Risk and Liquidity Risk	Financial loss to the company, if a customer or counterparty to a financial instrument fails to meet its contractual obligations. These arise principally from the Company's receivables from customers and placements with banking institutions and in government securities.	<p>The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or damages to the Company's reputation.</p> <p>The following controls are implemented to mitigate this risk.</p> <ul style="list-style-type: none"> • Continuous and regular evaluation of creditworthiness of tour operators and other customers. • Continuous monitoring and follow up of receivable balances. • Placement of deposits only with reputed institutions which are rated AAA(Ika) to BBB-(Ika), based on Fitch Ratings.
Foreign Exchange Risk	<p>Risk of volatility in foreign exchange rates.</p> <p>A fluctuation in the exchange rates will have an impact on the amounts realised in LKR and corresponding impact on costs.</p>	<ul style="list-style-type: none"> • Company accepts payments from guests in foreign currencies, mainly USD, EUR, and GBP, and holds cash and cash equivalents and Fixed deposits denominated in them. (Please refer to Note 33.3.1). • Use the foreign currency deposits as a hedge against cost increases.

RISK MANAGEMENT

Risk	Impact	Risk Responses and Strategies
Talent acquisition and retention	Inability to achieve company's objectives due to talent related issues.	<p>Company has implemented the following initiatives.</p> <ul style="list-style-type: none"> • Ensure recruitments are carried out to hire employees with the required qualifications, knowledge and experience. • HR policies are focused on encouraging continuous training and development and ensuring appropriate compensation as per market rates to retain and develop employees. • Source talent from the local community by introducing free training opportunities thus developing retention through loyalty.
Global and Local political unrest	<p>Decline in arrivals due to recent geopolitical events like Russia and Ukraine conflict coupled with slow economic growth in key markets.</p> <p>Further, Sri Lanka's economic issues also affect the spending power of the local customers.</p>	<ul style="list-style-type: none"> • Diversify target markets to reduce dependency on politically unstable regions. • Focus on corporate and long stay guests during uncertain times.
Systems and Process Risks	Direct or indirect losses due to inadequate or failed internal processes and systems.	<ul style="list-style-type: none"> • The management together with the Carsons finance and IT divisions proactively identifies and set up appropriate systems and processes to mitigate this risk. • Conducting regular review of cyber risks. • Reviews conducted by Group Internal Audit on internal control systems and processes, recommends improvements, if any shortcomings are noted.
Governance & Regulatory Compliance Risk	Failure to comply with the regulatory and legal framework applicable to the Company resulting reputational damage, penalties, or business interruption.	<p>The management together with the Carsons group legal division proactively identifies and establish appropriate systems and processes to ensure compliance with legal and regulatory requirements..</p> <ul style="list-style-type: none"> • Training and developing employees on compliance and on new / revised laws and regulations. • Obtain views and interpretations from external legal consultants on areas that require clarity on new and existing laws. • Management regularly review compliance with relevant laws and regulations and provide written update to the board on quarterly basis
Natural Disasters & Fire Risk	Natural disasters and fire risk pose a significant financial risk, impacting both the property and potentially interrupting income streams.	<ul style="list-style-type: none"> • Regular inspection and training by third parties and implementation of action plans where relevant • Obtain fire and business interruption insurance policies • Risks of losses arising from unforeseen events such as natural disasters are covered by obtaining appropriate and comprehensive insurance covers. • Establishing Business Continuity Plans where relevant.

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

The Board of Directors of Pegasus Hotels of Ceylon PLC have pleasure in presenting to the shareholders their Report together with the Audited Financial Statements 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, Listing Rules of the Colombo Stock Exchange and are guided by recommended best Accounting Practices.

The Annual Report was approved by the Board of Directors on 25th June 2025.

1. GENERAL

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

2. PRINCIPAL ACTIVITIES OF THE COMPANY

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

There were no significant changes in the nature of the principal activities of the Company during the financial year under review except for divestment of total shares of its subsidiary, Equity Hotels Limited, as detailed in note 11 of this report.

3. REVIEW OF OPERATIONS AND FUTURE DEVELOPMENTS

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

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

4. FINANCIAL STATEMENTS

The consolidated financial statements which comprise of the Statement of Profit or Loss and Other Comprehensive Income, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Equity and Notes to the Financial Statements of the Company and the Group for the year ended 31st March 2025 are set out on pages 50 to 106. These financial statements do comply with the requirements of the Companies Act, No. 07 of 2007.

4.1. Revenue

Detailed analysis of revenue of the Company and the Group are set out in note 11 to the Financial Statements.

4.2. Financial results and appropriations

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

(In Rupees thousands) For the year ended 31st March	Company		Group
	2025	2024	2024
Loss for the year	(51,289)	(47,763)	(99,520)
Other comprehensive income/ (expense) for the year, adjusted for revaluation of property, plant and equipment and related tax	(4,598)	(5,469)	(6,923)
Total comprehensive income / (expense) for the year	(55,887)	(53,232)	(106,443)
Expenses on rights issue of shares	-	(2,121)	(2,625)
Retained earnings / (accumulated losses) as at the beginning of the year	(122,072)	(66,836)	(203,865)
Forfeited dividends	116	117	117
Accumulated losses as at the end of the year	(177,843)	(122,072)	(312,816)

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

4.3. Material accounting policies

The significant accounting policies adopted in the preparation of these financial statements are given on pages 54 to 70.

4.4. Property, plant and equipment

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

4.4.1. Market value of freehold properties

The carrying value of its land and buildings in the Statement of Financial Position is recognised at revalued amounts in accordance with Sri Lanka Accounting Standard (LKAS 16) - 'Property, Plant and Equipment'.

A professional valuation was performed as at 31st March 2024 by Mr. S. Sivaskantha, F. I. V (Sri Lanka) of Perera Sivaskantha and Company, incorporated Valuers. The details of the movements in fair value of Land and building of the Group and the Company during the year and their carrying values as at 31st March 2024 are presented in note 17 to the financial statements.

4.5. Capital expenditure

The details of capital additions are given in note 17 to the Financial Statements.

4.6. Reserves

The movements of total reserves are set out in the Statement of Changes in Equity on page 52.

5. STATEMENT OF DIRECTORS RESPONSIBILITIES

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

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

The financial statements comprise of *inter alia*:

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

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

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

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

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

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

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

6. INTERESTS REGISTER

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

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

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

The Interests Register is available for inspection as required under the Companies Act.

6.1. Remuneration of Directors

Directors' remuneration for the financial year ended 31st March 2025 is given in note 13 to the financial statements.

6.2. Directors' interest in contracts and shares

Directors' interests in contracts of the Company and the Group are disclosed in note 35 to these financial statements and have been declared at meetings of the Directors. The Directors have had no direct or indirect interest in any other contracts or proposed contracts in relation to the business of the Company and the Group other than those disclosed in note 35 while they had the following interests in the ordinary shares of the Company as shown in the table below.

Directors	No. of shares as at	
	31st March 2025	31st March 2024
Mr. M. Dayananda (Chairman)	-	-
Mr. M. T. L. Elias	-	-
Mr. K. Selvanathan	-	-
Mr. S. R. Marther (Resigned w.e.f. 31st July 2024)	-	-
Mr. S. Marimuthu (Appointed w.e.f. 31st July 2024)	400	-
Mr. D. R. P. Goonetilleke (Appointed w.e.f. 31st July 2024)	-	-
Mr. A. S. Amaratunga (Appointed w.e.f. 25th September 2024)	-	-
Mr. V. R. Wijesinghe	-	-

7. DIRECTORS

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

7.1 Changes in the Directorate

Mr. S. Mather Independent Non-Executive Director of the Company resigned from the Board of Directors of the Company with effect from 31st July 2024.

Mr. S. Marimuthu was appointed as an Independent Non-Executive Director of the Company with effect from 31st July 2024.

Mr. D. R. P. Goonetilleke was appointed as a Non-Executive Director of the Company with effect from 31st July 2024.

Mr. A. S. Amaratunga was appointed as an Independent Non-Executive Director of the Company with effect from 25th September 2024.

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

Considering the 'Criteria for determining independence' provided under Rule 9.8.3, Mr. M. Dayananda, who was an Independent Non-Executive Director of the Company was designated as a Non-Executive Director of the Company with effect from 25th September 2024.

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

Mr. M. Dayananda - Non-Executive Director who was over 70 years of age was appointed as a Director of the Company in terms of Section 210 of the Companies Act, No.07 of 2007 at the EGM held on 25th February 2025 for a further period of one year commencing from 25th February 2025 or until the forthcoming Annual General Meeting of the Company, whichever comes first.

In terms of Rule 9.11.5 (ii) of the Listing Rule of the Colombo Stock Exchange, the Nominations and Governance Committee recommended the re-election of Mr. M. Dayananda who is over 70 years of age. Further, in terms of Rule 9.7.2 of the Listing Rules of the Colombo Stock Exchange the Board has ensured that Mr. M. Dayananda is fit and proper based on the 'Fit and Proper Criteria' stipulated in the Listing Rules.

Accordingly, Mr. M. Dayananda who is over 70 years of age is to be reappointed as a Director of the Company for a further period of one year from the conclusion of the Annual General Meeting and that the age limit stipulated in Section 210 of the Companies Act, No.07 of 2007 shall not be applicable to him.

7.3 Retirement by rotation and re-election

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

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

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

In terms of Rule 9.11.5 (ii) of the Listing Rules of the Colombo Stock Exchange, the Nominations and Governance Committee recommended the re-election of Messrs. S. Marimuthu, D. R. P. Goonetilleke and A.S. Amaratunga who were appointed to the Board since the last Annual General Meeting. Further, in terms of Rule 9.7.2 of the Listing Rules of the Colombo Stock Exchange the Board has ensured that Messrs. S. Marimuthu, D. R. P. Goonetilleke and A.S. Amaratunga are fit and proper based on the 'Fit and Proper Criteria' stipulated in the Listing Rules.

Accordingly, in terms of Article 68 of the Articles of Association of the Company, shareholder approval is sought to re-elect Messrs. S. Marimuthu, D. R. P. Goonetilleke and A.S. Amaratunga at the Annual General Meeting to be held on Wednesday, 23rd July 2025.

8. CORPORATE GOVERNANCE

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

8.1. Board of Directors

The following Directors held office during the period under review and their brief profiles are given on pages 7 to 9 of the Annual Report.

Directors	Executive/ Non-Executive/ Independent
Mr. M. Dayananda - Chairman	Independent Non-Executive (until 25th September 2024) Non-Executive w.e.f. 25th September 2024
Mr. K. Selvanathan	Non Executive
Mr. S. R. Mather (Resigned w.e.f. 31st July 2024)	Independent Non-Executive
Mr. M. T. L. Elias	Independent Non-Executive

Directors	Executive/ Non-Executive/ Independent
Mr. S. Marimuthu (Appointed w.e.f. 31st July 2024)	Independent Non-Executive
Mr. D. R. P. Goonetilleke (Appointed w.e.f. 31st July 2024)	Non-Executive
Mr. A. S. Amaratunga (Appointed w.e.f. 25th September 2024)	Independent Non-Executive
Mr. V. R. Wijesinghe	Executive

8.2 Statement on Directors' Fitness and Propriety

The Company obtained an annual declaration from the Directors as per Rule 9.7.3 and 9.7.4 of the Listing Rules of the Colombo Stock Exchange (CSE) confirming that they have continuously satisfied the specified Fit and Proper Assessment Criteria set out in the Rules during the Financial Year and as at the reporting date. The said declarations were tabled and reviewed at a Board Meeting of the Board of Directors of the Company held on 13th June 2025. Therefore, no Director was identified as a person who has failed to fulfil the required assessment criteria during the year under review.

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

8.3 Statement on Directors' Independence

Each of the Independent Directors of the Company have submitted a signed declaration on Independence/ Non Independence as per Rule 9.8.5 of the Listing Rules of the Colombo Stock Exchange (CSE). The said declarations were tabled at a Board Meeting of the Board of Directors of the Company held on 13th June 2025, in order to enable the Board of Directors to determine the Independence/ Non-Independence of each of the Independent Directors, in terms of Rule 9.8.3. of the Listing Rules of the CSE.

8.4 Directors' Meetings attendance

The Board met 5 times as at the reporting date and the attendance is given below;

Board Members	Attended Meetings
Mr. M. Dayananda - Chairman	5/5
Mr. K. Selvanathan	4/5
Mr. S. R. Mather (Resigned w.e.f. 31st July 2024)	-
Mr. S. Marimuthu (Appointed w.e.f. 31st July 2024)	3/3
Mr. D. R. P. Goonetilleke (Appointed w.e.f. 31st July 2024)	3/3
Mr. A. S. Amaratunga (Appointed w.e.f. 25th September 2024)	3/3
Mr. M. T. L. Elias	4/5
Mr. V.R. Wijesinghe	5/5

8.5 Board Evaluation

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

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

8.6 Board Sub Committees

In accordance with Rule 9.3.1 of the Colombo Stock Exchange, the Company established its own Sub-Committees effective from 25th September 2024. Each Sub-Committee operates under the oversight of its respective Chair and functions in alignment with its approved Committee Charter.

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

8.6.1 Remuneration Committee

Committee composition

Carson Cumberbatch PLC (CCPLC) is the Parent Company of Pegasus Hotels of Ceylon PLC. In accordance with the Listing Rules of the Colombo Stock Exchange (CSE) prior to the amendments to Rule 9.3.1 effective from 01st October 2024, each listed entity was not required to maintain a separate Remuneration Committee.

Accordingly, the Remuneration Committee of CCPLC functioned as the Remuneration Committee of the Company until 25th September 2024 and comprised of the following members.

Member	Independent Non-Executive / Non-Executive
Mr. T. de Zoysa (Chairman)	Independent Non-Executive Director of CCPLC
Mr. R. Theagarajah	Independent Non-Executive Director of CCPLC
Mr. W. M. R. S. Dias	Independent Non-Executive Director of CCPLC
Mr. D. C. R. Gunawardena	Non-Executive Director of CCPLC

Following the regulatory amendment, effective 01st October 2024, which mandates that each listed entity must establish and maintain its own Remuneration Committee, the Remuneration Committee of CCPLC ceased to function as the Remuneration Committee of Pegasus Hotels of Ceylon PLC with effect from 25th September 2024.

In terms of Rule 9.12 of the Listing Rules of the Colombo Stock Exchange (CSE), the Remuneration Committee of Pegasus Hotels of Ceylon PLC was formed w.e.f. 25th September 2024. As at the reporting date, the Remuneration Committee consists of the following Members;

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

Meeting attendance

From 01st April 2024 to 25th September 2024, the Carson Cumberbatch PLC Remuneration Committee which functioned as the Remuneration Committee of the Company until 25th September 2024 did not meet.

From 25th September 2024 until the reporting date, the Pegasus Hotels of Ceylon PLC Remuneration Committee met three times (3). The attendance of the Pegasus Hotels of Ceylon PLC Remuneration Committee Members at these meetings was as follows:

Member	Independent Non-Executive / Non-Executive	Attendance
Mr. M. T. L. Elias (Chairman)	Independent Non-Executive	3/3
Mr. S. Marimuthu	Independent Non-Executive	3/3
Mr. D. R. P. Goonetilleke	Non-Executive	3/3

Remuneration Policy Statement

Pegasus Hotels of Ceylon PLC has implemented a formal Remuneration Policy to ensure transparent and equitable compensation. The policy applies to Executive Directors, Non-Executive Directors, and Chief Executive Officers (CEOs). For the purposes of this policy, "remuneration" encompasses both cash and non-cash benefits received by these individuals. The Remuneration Committee, comprising Non-Executive and Independent Directors, is responsible for overseeing the implementation and

periodic review of this policy. No Director shall participate in decisions regarding their own remuneration. The policy is reviewed annually, with adjustments recommended by the Committee as deemed necessary.

The aggregate remuneration of the Executive and Non-Executive Directors.

The aggregate remuneration of the Executive and Non-Executive Directors for the year ended 31st March 2025 was Rs. 3,316,667/-.

8.6.2 Audit Committee

In compliance with Rule 9.3 of the Colombo Stock Exchange, the Company formed the Audit Committee with effect from 25th September 2024 and the Audit Committee Report is given on page 40 to 43 of this Annual Report.

8.6.3 Nominations and Governance Committee

The Nomination Committee of the Company has been renamed as 'Nominations and Governance Committee' with effect from 25th September 2024 and the Nominations and Governance Committee Report is given on page 31 to 36 of this Annual Report.

8.6.4 Related Party Transactions Review Committee

In compliance with Rule 9.3 of the Colombo Stock Exchange, the Company formed the Related Party Transactions Review Committee with effect from 25th September 2024 and the Related Party Transactions Review Committee Report is given on page 37 to 39 of this Annual Report.

Declaration

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

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

8.7 Policies

In accordance with Rule 9.2.1 of the Colombo Stock Exchange, the Company established and maintains the following policies which were published on the Carson Cumberbatch PLC Group website www.carsoncumberbatch.com w.e.f.01 Oct 2024.

- (i) Policy on the matters relating to the Board of Directors
- (ii) Policy on Board Committees
- (iii) Policy on Corporate Governance, Nominations and Re-election
- (iv) Policy on Remuneration
- (v) Policy on Internal Code of Business conduct and Ethics for all Directors and employees, including policies on trading in the Entity's listed securities
- (vi) Policy on Risk management and Internal controls
- (vii) Policy on Relations with Shareholders and Investors
- (viii) Policy on Environmental, Social and Governance Sustainability
- (ix) Policy on Control and Management of Company Assets and Shareholder Investments
- (x) Policy on Corporate Disclosures
- (xi) Policy on Whistleblowing
- (xii) Policy on Anti-Bribery and Corruption

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

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

Rule No.	Subject	Criteria	Compliance Status	Details
9.1.3.	Applicability of Corporate Governance Rules	All Listed Entities shall publish a statement confirming the extent of compliance with the Corporate Governance Rules set out herein, in the Annual Report of the Entity	Compliant	Please refer to point 9 of the Annual Report of the Board of Directors
9.2	Policies	Policies	Compliant	The Company has established and maintains required policies with effect from 01st October 2024, and which have been disclosed under the Carson Cumberbatch Group website. Please refer to page 19 of the Annual Report of the Board of Directors.
9.3	Board Committees	Board Committees	Compliant	Please refer to Note 8.6.1 to 8.6.4 of the Annual Report of the Board of Directors. The Company has established its own Audit Committee, Remuneration Committee and the Related Party Transactions Review Committee w.e.f. 25th September 2024 as per Section 9.3.1 of the Listing Rules of the Colombo Stock Exchange. The Nomination Committee of the Company has been renamed as 'Nominations and Governance Committee' with effect from 25th September 2024.
9.4.1	Adherence to principles of democracy in the adoption of meeting procedures and the conduct of all General Meetings with shareholders	Listed Entities shall maintain records of all resolutions and information pertaining to its adoption	Compliant	The Company Secretaries maintain records of all resolutions and requisite information.

Rule No.	Subject	Criteria	Compliance Status	Details
9.4.2	Communication and relations with shareholders and investors	Communication and relations with shareholders and investors	Compliant	<p>The Company has established and maintains a policy on Shareholder Communication and Relations with effect from 01st October 2024 and has been published on the Carson Cumberbatch PLC Group website.</p> <p>The contact person is mentioned.</p> <p>The policy includes a process whereby Directors are informed of major issues and concerns of shareholders.</p> <p>Please refer to page 19 of the Annual Report of the Board of Directors.</p>
9.5	Policy on matters relating to the Board of Directors	Policy on matters relating to the Board of Directors	Compliant	<p>The Company has established and maintains Policy on the matters relating to the Board of Directors with effect from 01st October 2024 which addresses the requirements in Rules 9.5.1 and 9.5.2, and same has been published on the Carson Cumberbatch PLC Group website.</p>
9.6.1	Chairperson and CEO	The Chairperson of every Listed Entity shall be a Non-Executive Director and the positions of the Chairperson and CEO shall not be held by the same individual.	Compliant	Chairman is a Non-Executive Director
9.6.2	Chairperson and CEO	Where the Chairperson of a Listed Entity is an Executive Director and/ or the positions of the Chairperson and CEO are held by the same individual, such Entity shall make a Market Announcement	Not Applicable	Chairman is a Non-Executive Director and the positions of the Chairperson and CEO are not held by the same individual.
9.6.3 and 9.6.4	The Requirement for a Senior Independent Director (SID)	SID to be appointed in the following instances; The positions of the Chairperson and CEO are held by the same individual. The Chairperson is an Executive Director. The Chairperson and CEO are Close Family Members or Related Parties.	Not Applicable	Chairman is a Non-Executive Director, the positions of the Chairperson and CEO are not held by the same individual and the Chairman and CEO are not Close Family Members or Related Parties.

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

Rule No.	Subject	Criteria	Compliance Status	Details
9.7	Fitness of Directors and CEO	Fitness of Directors and CEO	Compliant	The Company obtained an annual declaration from the Directors confirming that they have continuously satisfied the specified Fit and Proper Assessment Criteria. All Directors met the fit and proper assessment criteria stipulated in the Listing Rules of the CSE.
9.8.1	Board Composition	The Board of Directors of a Listed Entity shall, at a minimum, consist of five (05) Directors.	Compliant	The Board comprises of 07 Directors.
9.8.2/9.8.3 and 9.8.5.	Independent Directors	Minimum no. of Independent Directors / Criteria for defining independence and declaration & disclosures relating to Directors	Compliant	Please refer Note 8.1 of the Annual Report of the Board of Directors.
9.9	Alternate Director	Alternate Director	Compliant	No Alternate Directors were appointed to the Board throughout the reporting period.
9.10.4.(a) and 9.10.4(b)	Disclosure relating to Directors	Company shall publish a brief resume in the Annual Report including expertise in relevant functional areas of each Director	Compliant	Please refer the Profile of the Directors on page 7 to 9.
9.10.4.(c)	Disclosure relating to Directors	Whether either the Director or Close Family Members has any material business relationships with other Directors of the Listed Entity	Compliant	As at the conclusion of the last AGM and throughout the financial year, none of the Directors or Close Family Members have had any material business relationship with other directors of the Company.
9.10.4.(d) /9.10.4.(e)/ 9.10.4.(f)/ 9.10.4.(g) and 9.10.4.(h)	Disclosure relating to Directors	Disclosure relating to Directors	Compliant	Please refer to point 8.1 and 8.8 of the Annual Report of the Board of Directors.
9.11	Nominations and Governance Committee	Nominations and Governance Committee	Compliant	The Nomination Committee of the Company has been renamed as 'Nominations and Governance Committee' with effect from 25th September 2024 and the Nominations and Governance Committee Report is given on page 31 to 36 of this Annual Report.

Rule No.	Subject	Criteria	Compliance Status	Details
9.12	Remuneration Committee	Remuneration Committee	Compliant	In compliance with Rule 9.3 of the Listing Rules of the Colombo Stock Exchange, the Company formed the Remuneration Committee with effect from 25th September 2024 and the Remuneration Committee Report is given on page 18 to 19 of this Annual Report.
9.13	Audit Committee	Audit Committee	Compliant	In compliance with Rule 9.3 of the Colombo Stock Exchange, the Company formed the Audit Committee with effect from 25th September 2024 and the Audit Committee Report is given on page 40 to 43 of this Annual Report.
9.14	Related Party Transactions Review Committee	Related Party Transactions Review Committee	Compliant	In compliance with Rule 9.3 of the Colombo Stock Exchange, the Company formed the Related Party Transactions Review Committee with effect from 25th September 2024 and the Related Party Transactions Review Committee Report is given on page 37 to 39 of this Annual Report.
9.17.(i)	Additional Disclosures	Board of Directors should declare all material interests in contracts involving in the Entity and whether they have refrained from voting on matters in which they were materially interested	Compliant	The Directors declared at a Board Meeting that they had no material interests in contracts involving in the Company, and there were no matters in which they were materially interested.
9.17.(ii)	Additional Disclosures	Board of Directors should conduct a review of the internal controls covering financial, operational and compliance controls and risk management and have obtained reasonable assurance of their effectiveness and successful adherence therewith	Compliant	The Board, having reviewed the system of internal controls covering financial, operational and compliance controls and risk management, is satisfied with the Company's adherence to and effectiveness of these controls for the period up to the date of signing the Financial Statements.

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

Rule No.	Subject	Criteria	Compliance Status	Details
9.17(iii)	Additional Disclosures	Board of Directors should make arrangements to make themselves aware of applicable laws, rules and regulations and are aware of changes particularly to Listing Rules and applicable capital market provisions.	Compliant	The Board of Directors have declared that the Company and the Board of Directors have complied with applicable laws, rules and regulations and also are aware of changes particularly to the Listing Rules of the Colombo Stock Exchange including the new rules on Corporate Governance initially issued in October 2023 and all other applicable capital market provisions.
9.17(iv)	Additional Disclosures	Board of Directors should disclose relevant areas of any material non-compliance with law or regulation and any fines, which are material, imposed by any government or regulatory authority in any jurisdiction where the Entity has operations.	Compliant	The Board of Directors have no disclosures to be made of any material non-compliance with law or regulation and any fines, which are material, imposed by any government or regulatory authority in any jurisdiction where the Company has operations.

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

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

Name of the Director	Name of the Company, functioning capacity, Listed/Unlisted
<p>Mr. M. Dayananda (Total No. of Directorships – 03)</p> <p>(Total No. of Companies within the Carson Cumberbatch PLC Group where Mr. M. Dayananda is a Key Management Personnel but not a Director - 02, includes 1 unlisted company within the group, in which he ceased to be a KMP w.e.f. 28/03/2025)</p>	<p>He is a Non-Executive Director and Key Management Personnel in the mentioned Listed Companies – Pegasus Hotels of Ceylon PLC and Bukit Darah PLC</p> <p>He is a Director and Key Management Personnel in the mentioned Unlisted Company – Total Tea Concepts (Pvt) Limited</p>

Name of the Director	Name of the Company, functioning capacity, Listed/Unlisted
<p>Mr. K. Selvanathan (Total No. of Directorships - 14)</p> <p>(Total No. of Companies within the Carson Cumberbatch PLC Group where Mr. K. Selvanathan is a Key Management Personnel but not a Director - 02, includes 1 unlisted company within the group, in which he ceased to be a KMP w.e.f. 28/03/2025)</p>	<p>He is an Executive Director and Key Management Personnel in the mentioned Listed Companies - Ceylon Guardian Investment Trust PLC and Ceylon Investment PLC.</p> <p>He is a Non-Executive Director and Key Management Personnel in the mentioned Listed Companies - Lion Brewery (Ceylon) PLC and Pegasus Hotels of Ceylon PLC.</p> <p>He is a Director and/or Key Management Personnel in other Unlisted Companies within the Carson Cumberbatch PLC Group.</p> <p>He is a Director and Key Management Personnel on the mentioned Unlisted Companies - Ceylon Securities and Investments (Pvt) Ltd, S. Kanapathy Chetty (Pvt) Ltd, Tower Investments (Pvt) Ltd, Sri Krishna Corporation (Pvt) Ltd, Interkrish Investment Company (Pvt) Ltd, Hambros Investments (Pvt) Ltd and Aurora Studio (Pvt) Limited.</p>
<p>Mr. S. Marimuthu (Appointed w.e.f. 31/07/2024) (Total No. of Directorships - 06)</p> <p>(Total No. of Companies within the Carson Cumberbatch PLC Group where Mr. S. Marimuthu is a Key Management Personnel but not a Director - 01, includes 1 unlisted company within the group, in which he ceased to be a KMP w.e.f. 28/03/2025)</p>	<p>He is an Independent Non-Executive Director and Key Management Personnel in the mentioned Listed Companies - Equity Two PLC, Pegasus Hotels of Ceylon PLC</p> <p>He holds a directorship in another Unlisted Company within the Carson Cumberbatch PLC Group.</p> <p>He is a Non-Executive Independent Director and Key Management Personnel in the mentioned Listed Company - Industrial Asphalts (Ceylon) PLC</p> <p>He is a Director and Key Management Personnel in the mentioned Unlisted Companies - Knightsbridge Technologies (Pvt) Ltd and Silverfalls (Pvt) Limited</p>
<p>Mr. M.T. L Elias (Total No. of Directorships - 02)</p> <p>(Total No. of Companies within the Carson Cumberbatch PLC Group where Mr. M. Elias is a Key Management Personnel but not a Director - 01, includes 1 unlisted company within the group, in which he ceased to be a KMP w.e.f. 28/03/2025)</p>	<p>He is an Independent Non-Executive Director and Key Management Personnel in the mentioned Listed Company - Pegasus Hotels of Ceylon PLC</p> <p>He is a Director and Key Management Personnel in the mentioned Unlisted Company - S.M. Synergies (Private) Limited</p>

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

Name of the Director	Name of the Company, functioning capacity, Listed/Unlisted
<p>Mr. A. S. Amaratunga (Appointed w.e.f. 25/09/2024) (Total No. of Directorships - 09)</p> <p>(Total No. of Companies within the Carson Cumberbatch PLC Group where Mr. A. S. Amaratunga is a Key Management Personnel but not a Director - 10, includes 1 unlisted company within the group, in which he ceased to be a KMP w.e.f. 28/03/2025)</p>	<p>He is a Non-Executive Independent Director and Key Management Personnel in the mentioned Listed Companies - Equity Two PLC, Ceylon Beverage Holdings PLC, Bukit Darah PLC, Carson Cumberbatch PLC, Lion Brewery (Ceylon) PLC, Ceylon Guardian Investment Trust PLC, Ceylon Investment PLC, Pegasus Hotels of Ceylon PLC</p> <p>He is a Director and Key Management Personnel in the mentioned Unlisted Companies – SAARA LABs (Pvt) Ltd</p>
<p>Mr. D. R. P. Goonetilleke (Appointed w.e.f. 31/07/2024) (Total No. of Directorships - 05)</p> <p>(Total No. of Companies within the Carson Cumberbatch PLC Group where Mr. D. R. P. Goonetilleke is a Key Management Personnel but not a Director - 01, includes 1 unlisted company within the group, in which he ceased to be a KMP w.e.f. 28/03/2025)</p>	<p>He is an Non-Executive Director and Key Management Personnel in the mentioned Listed Companies - Lion Brewery (Ceylon) PLC and Pegasus Hotels of Ceylon PLC</p> <p>He is a Director and/or Key Management Personnel in other Unlisted Companies within the Carson Cumberbatch PLC Group.</p> <p>He is a Director and Key Management Personnel in the mentioned Listed Companies – Namunukula Plantations PLC and Ceylinco Holdings PLC</p>
<p>Mr. V.R. Wijesinghe (Total No. of Directorships – 04)</p> <p>(Total No. of Companies within the Carson Cumberbatch PLC Group where Mr. V.R. Wijesinghe is a Key Management Personnel but not a Director - 11, includes 1 unlisted company within the group, in which he ceased to be a KMP w.e.f. 28/03/2025)</p>	<p>He is an Executive Director and Key Management Personnel in the mentioned Listed Company – Pegasus Hotels of Ceylon PLC.</p> <p>He is a Key Management Personnel in the mentioned Listed Companies - Carson Cumberbatch PLC, Ceylon Beverage Holdings PLC, Lion Brewery (Ceylon) PLC, Ceylon Guardian Investment Trust PLC, Ceylon Investment PLC, Equity Two PLC and Bukit Darah PLC.</p> <p>He holds a directorship in another Unlisted Company within the Carson Cumberbatch PLC Group.</p>

9. INDEPENDENT AUDITORS

The Company's and the Group's auditors during the year under review were Messrs. KPMG, Chartered Accountants.

A sum of Rs. 572,000/- and Rs. 997,000/- were paid to them by the Company and the Group respectively, as audit fees for the year ended 31st March 2025 (2024 – Rs. 520,000/- and Rs. 897,000/-). The Auditors were not paid fees on audit related services during the year (2024-

Nil). The Company and the Group paid professional fees of Rs. 7,750,000/- for non-audit services during the year (2024 - Nil).

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

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

9.1. Auditors' Relationship or any interest with the Company

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

9.2. Independent Auditors' Report

The Independent Auditors' Report on the financial statements is given on pages 46 to 49 of this Report.

10. INTERNAL CONTROL AND RISK MANAGEMENT

The ultimate responsibility to establish, monitor and review a group-wide internal control system rest with the Board of Directors. The intensity, depth and the tolerance limits for each component of the internal control system would be based on the weight of the element of risk imposed on the sustenance of the business by the respective area of operation.

Whilst a strong internal control system would mitigate the crystallisation of risk elements to a greater extent, employment of external support structures would also be necessary based on the risk assessments made thereon.

Effective maintenance of internal controls, risk identification and mitigation is handed down to the respective members of senior management within the guidelines of benchmark policies, procedures and authority limits clearly laid down.

Group Internal Audit, whose scope of scrutiny is entirely driven by the grading of the risk involved, will be monitoring and providing the feedback to the management and to the respective Audit Committee. Regular submission of compliance and internal solvency certificates vouched by the Heads of the respective divisions as a mandatory agenda item keeps the Directors abreast of the position of the Company's and the Group's resource base and governance requirements.

This allows the Board to have total control of the fulfilment of governance requirements by providing opportunity to take timely preventive action in case of potential deterioration of status quo. More detailed description of the risk management strategies of the Company and the Group are given on pages 10 to 12.

11. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Divestment of total shares of Equity Hotels Limited held by Pegasus Hotels of Ceylon PLC.

Pegasus Hotels of Ceylon PLC disposed 2,173,341 ordinary shares, representing a 99.99% stake, entirety of its holding, in Equity Hotels Limited (EHL), to Lavendish Leisure Hotels and Resorts (Private) Limited on 28th March 2025.

12. DIVIDEND

There were no dividend payments made during the financial year.

13. SOLVENCY TEST

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

14. STATED CAPITAL

The Stated Capital of the Company as at 31st March 2025 was Rs. 751,548,321/50 consisting of 42,210,470 Ordinary Shares. The details of the Stated Capital are given in Note 25 to the financial statement.

15. DEEMED CAPITAL CONTRIBUTION

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

Sri Lanka Accounting Standards (LKAS 39) - "Financial Instruments - Measurement and Recognition" require 'Financial Guarantee contracts' of this nature to be recognised at their fair value in the financial statements

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

and accordingly an amount of Rs.5,351,660/- was included in the "Stated Capital", being 'Deemed capital contribution' arising from the said transaction at each of the reporting dates. This loan was fully settled by the Company in 2014.

16. STATUTORY PAYMENTS

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

17. GOING CONCERN

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

18. ENVIRONMENTAL PROTECTION

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

19. HUMAN RESOURCES

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

The number of persons employed by the Company as at 31st March 2025 were 219 (2024 - 192 and 238 for the Company and the Group respectively).

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

20. MATERIAL ISSUES PERTAINING TO EMPLOYEES AND INDUSTRIAL RELATIONS

There were no material issues relating to employees and industrial relations during the year ended 31st March 2025.

21. OUTSTANDING LITIGATIONS

The outstanding litigations related to the Company are shown in note 34.3 to these financial statements.

22. EQUITABLE TREATMENT TO SHAREHOLDERS

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

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

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

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

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

- Announcements to the Colombo Stock Exchange

- Carson Cumberbatch PLC Group website

- Interaction through the Company Secretaries

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

23. EVENTS AFTER THE REPORTING DATE

Subsequent to the reporting date, no circumstances have arisen, which would require adjustments to or disclosures in the financial statements as disclosed in note 39 to the financial statements.

24. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

The contingent liabilities and commitments as at 31st March 2025 are given in note 34 to the financial statements.

25. SHARE INFORMATION

Information relating to share trading are given on pages 110 and 111 of this Report.

26. TWENTY MAJOR SHAREHOLDERS WITH COMPARATIVES

The Parent Company, Carson Cumberbatch PLC holds 89.98% of the total Ordinary Shares in issue of the Company as at 31st March 2025.

	Name of Shareholders	2025		2024	
		No. of shares	%	No. of shares	%
1	CARSON CUMBERBATCH PLC A/C NO.2	37,982,617	89.98	37,982,617	89.98
2	MR. C. SATHKUMARA	415,482	0.98	269,753	0.64
	MERCHANT BANK OF SRI LANKA LTD/C. SATHKUMARA	304,142	0.72	111,609	0.26
3	ESTATE OF LATE MR. K.C. VIGNARAJAH	262,055	0.62	262,055	0.62
4	MRS. V.R. JAYASINGHE	172,329	0.41	145,729	0.35
5	MRS B.A. DEVIKA KUMARI	88,131	0.21	-	-
6	MR. A.R.H. SARATHCHANDRA	75,411	0.18	-	-
7	MR. K.C. JAYAWARDENE	70,000	0.17	94,058	0.22
8	MR. M.F.J. MACAN MARKAR	70,000	0.17	47,000	0.11
9	MR. A.M. WEERASINGHE	63,888	0.15	63,888	0.15
10	MRS. I. GWYN	55,000	0.13	55,000	0.13
11	MR N.W.N. JAYASIRI	53,800	0.13	80,000	0.19
12	MRS L.A. JAYASINGHE	50,000	0.12	-	-
13	MRS D.R. SUDARSHANI	50,000	0.12	-	-
14	MR. K.M.V.J. SENARATHNE	49,997	0.12	9,788	0.02
15	MR K.K.D. SENANAYAKE	43,750	0.10	43,750	0.10
16	MR. H.A.S. MADANAYAKE	40,000	0.09	40,000	0.09
17	PEOPLE'S LEASING AND FINANCE PLC/U.P.W. PREMAWARDHANA	39,700	0.09	-	-
18	MR A. SITHAMPALAM	30,000	0.07	3,295	0.01
19	MR. A.M. ZAINULABDEEN	28,102	0.07	27,777	0.07
20	MR. M.M.R. DISSANAYAKE	28,000	0.07	-	-

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

27. ANNUAL REPORT

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

The Board of Directors has approved the Financial Statements of the Company and the Group together with the reviews, which form part of the Annual Report on 25th June 2025.

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

28. ANNUAL GENERAL MEETING

The 59th Annual General Meeting of the Company will be held on Wednesday, 23rd July 2025 at 9.30 a.m. at the "Lavender Hall", BMICH International Convention & Exhibition Center, Bauddaloka Mawatha, Colombo 07, Sri Lanka.

The Notice of the Annual General Meeting is on pages 112 and 113 of the Annual Report.

Signed on behalf of the Board,

(Sgd.)

M. Dayananda
Chairman

(Sgd.)

K. Selvanathan
Director

(Sgd.)

K. D. De Silva (Mrs)
Director

Carsons Management Services (Private) Limited
Secretaries

Colombo
25th June 2025

NOMINATIONS AND GOVERNANCE COMMITTEE REPORT

1. COMMITTEE COMPOSITION

In terms of Rule 9.11 of the Listing Rules of the Colombo Stock Exchange (CSE), the Nomination Committee of the Company was renamed as the 'Nominations and Governance Committee' w.e.f. 25th September 2024. As at the reporting date, the Nominations and Governance Committee consists of the following Members:

Member	Independent Non-Executive / Non-Executive
Mr. S. Marimuthu (Appointed as Member & Chairman w.e.f. 25th September 2024.)	Independent Non-Executive
Mr. M. T. L. Elias (Appointed as Member w.e.f. 01st January 2024)	Independent Non-Executive
Mr. M. Dayananda (Appointed as Member & Chairman w.e.f. 15th June 2018 and ceased to be the Chairman w.e.f. 25th September 2024)	Independent Non-Executive (until 25th September 2024) Non-Executive w.e.f. 25th September 2024

2. DIRECTOR NOMINATION AND COMMITTEE APPOINTMENTS

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

3. RETIREMENT AND RE-ELECTION OF DIRECTORS

As provided in the Articles of Association of the Company, one-third of the Directors elected by the Company shall retire from office at each Annual General Meeting. The Directors to retire each year shall be those

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

3.1 In terms of Rule 9.11.5 (ii) of the Listing Rules of the Colombo Stock Exchange (CSE), the Committee has recommended the re-election of Mr. M. T. L. Elias to the Board at the Annual General Meeting (AGM) to be held on 23rd July 2025, in accordance with Articles 72, 73, and 74 of the Company's Articles of Association. This recommendation is based on his combined knowledge, experience and the valuable contributions he has made toward achieving the objectives of the Board.

3.2 In terms of Article 68 of the Company's Articles of Association, any Director appointed to the Board under this Article shall hold office only until the next AGM and shall then be eligible for re-election. Accordingly, in compliance with the Articles and Rule 9.11.5 (ii) of the Listing Rules of the Colombo Stock Exchange, the Committee has recommended the re-election of Messrs. S. Marimuthu, D. R. P. Goonetilleke and Mr. A.S. Amaratunga, who were appointed to the Board since the last AGM, at the forthcoming AGM scheduled to be held on 23rd July 2025.

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

Mr. M. Dayananda who is over 70 years of age is to be re-appointed as a Director of the Company for a further period of one year from the conclusion of the AGM and that the age limit stipulated in Section 210 of the Companies Act, No. 07 of 2007 shall not be applicable to him.

NOMINATIONS AND GOVERNANCE COMMITTEE REPORT

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

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

Board Member	Re-elected or re-appointed	Board Committees served on as a Member / Chairman	Date of first appointment as a Director	Date of last re-appointment as a Director	Directorships or Chairpersonships and other principal commitments both present and those held over the preceding 3 years in other Listed Entities	Any relationships* including close family relationships (As defined in CSE Rule 9.8.4) between the candidate and the Directors, the Listed Entity or its shareholders holding more than 10% of the shares of the Company (*business relationship)
Mr. M. Dayananda	To be re-appointed as per Section 210 of the Companies Act, No. 07 of 2007 at the AGM on 23rd July 2025.	Member of • Nominations and Governance Committee	04th September 2020	25th February 2025	• Bukit Darah PLC	-
Mr. S. Marimuthu	To be re-elected as per Article 68 of the Articles of Association of the Company at the AGM on 23rd July 2025.	Chairman of • Nominations and Governance Committee Member of • Audit Committee, • Related Party Transactions Review Committee & • Remuneration Committee	31st July 2024	Appointed to the Board on 31st July 2024	• Equity Two PLC – Independent Non-Executive • Industrial Asphalts (Ceylon) PLC – Independent Non-Executive	Shareholder of the Company Shareholder of Carson Cumberbatch PLC. (CCPLC) [CCPLC holds 89.98% shares in Pegasus Hotels of Ceylon PLC]

Board Member	Re-elected or re-appointed	Board Committees served on as a Member / Chairman	Date of first appointment as a Director	Date of last re-appointment as a Director	Directorships or Chairpersonships and other principal commitments both present and those held over the preceding 3 years in other Listed Entities	Any relationships* including close family relationships (As defined in CSE Rule 9.8.4) between the candidate and the Directors, the Listed Entity or its shareholders holding more than 10% of the shares of the Company (*business relationship)
Mr. D. R. P. Goonetilleke	To be re-elected as per Article 68 of the Articles of Association of the Company at the AGM on 23rd July 2025	<ul style="list-style-type: none"> • Audit Committee, • Related Party Transactions Review Committee & • Remuneration Committee 	31st July 2024	Appointed to the Board on 31st July 2025	<ul style="list-style-type: none"> • Lion Brewery (Ceylon) PLC – Non-Executive • Namunukula Plantations PLC – Independent Non-Executive • Ceylinco Holdings PLC - Independent Non-Executive 	
Mr. A. S. Amaratunga	To be re-elected as per Article 68 of the Articles of Association of the Company at the AGM on 23rd July 2025	<ul style="list-style-type: none"> Chairman of • Audit Committee & • Related Party Transactions Review Committee Member of • Remuneration Committee & 	25th September 2024	Appointed to the Board on 25th September 2024	<ul style="list-style-type: none"> • Hemas Holdings PLC - Independent Non-Executive (Since 01st January 2016 to 29th November 2024) • Ceylon Beverage Holdings PLC – Independent Non-Executive • Bukit Darah PLC – Independent Non-Executive • Carson Cumberbatch PLC – Independent Non-Executive • Lion Brewery (Ceylon) PLC – Independent Non-Executive 	<p>Director of Carson Cumberbatch PLC. (CCPLC)</p> <p>[CCPLC holds 89.98% shares in Pegasus Hotels of Ceylon PLC]</p>

NOMINATIONS AND GOVERNANCE COMMITTEE REPORT

Board Member	Re-elected or re-appointed	Board Committees served on as a Member / Chairman	Date of first appointment as a Director	Date of last re-appointment as a Director	Directorships or Chairpersonships and other principal commitments both present and those held over the preceding 3 years in other Listed Entities	Any relationships* including close family relationships (As defined in CSE Rule 9.8.4) between the candidate and the Directors, the Listed Entity or its shareholders holding more than 10% of the shares of the Company (*business relationship)
					<ul style="list-style-type: none"> • Ceylon Guardian Investment Trust PLC - Independent Non-Executive • Ceylon Investment PLC – Independent Non-Executive • Equity Two PLC - Independent Non-Executive 	
Mr. M. T. L. Elias	To be re-appointed as per Articles 72, 73 and 74 at the AGM on 23rd July 2025	Chairman of • Remuneration Committee Member of • Nominations and Governance Committee	03rd January 2020	21st July 2023	-	-

4. BOARD DIVERSITY

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

5. DIRECTOR'S APPOINTMENT AND REAPPOINTMENT

The Company follows a transparent and well-structured process for the appointment and re-appointment of Directors, in line with its Articles of Association, the Listing Rules of the CSE, and corporate governance best practices. The Nominations and Governance Committee is responsible for identifying and evaluating candidates based on qualifications, experience, leadership competencies and independence. Re-appointments are based on directors' contribution, and alignment with the Company's strategic goals. Directors retiring by rotation are subject to shareholder approval at the Annual

General Meeting. For Independent Non-Executive Directors, compliance with the criteria for independence as per Rule 9.8.3 of the Listing Rules is verified prior to re-appointment. This ensures that the integrity and objectivity of the Board are maintained.

6. BOARD AND CEO PERFORMANCE EVALUATION

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

7. ENGAGEMENT OF INDEPENDENT DIRECTORS

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

8. INDUCTION AND ORIENTATION FOR NEW DIRECTORS

The Company conducts structured induction and orientation programs for newly appointed Directors. These programs are designed to familiarise Directors with the Company's governance framework, business operations, industry environment, and key regulatory obligations. The sessions cover topics including corporate governance practices, the Listing Rules of the Colombo Stock Exchange, securities market regulations, and other applicable legal and regulatory requirements.

This ensures that new Directors are well-equipped to discharge their duties effectively from the outset of their appointment.

9. QUARTERLY UPDATES TO EXISTING DIRECTORS

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

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

10. MEETING ATTENDANCE

As at the reporting date, the Committee met three (3) times. The attendance of the Committee Members at these meetings was as follows:

Member	Independent Non-Executive / Non-Executive	Attendance
Mr. S. Marimuthu (Chairman w.e.f. 25th September 2024)	Independent Non-Executive	3/3
Mr. M. T. L. Elias	Independent Non-Executive	2/3
Mr. M. Dayananda (Chairman until 25th September 2024)	Non-Executive	3/3

NOMINATIONS AND GOVERNANCE COMMITTEE REPORT

11. STATEMENT ON DIRECTORS' INDEPENDENCE

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

1. Mr. M. T. L. Elias- Independent Non-Executive

2. Mr. S. Marimuthu - Independent Non-Executive

3. Mr. A. S. Amaratunga - Independent Non-Executive

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

12. STATEMENT ON DIRECTORS' FITNESS AND PROPRIETY

12.1 As required by Rule 9.7.4 of the Listing Rules, the Company has obtained signed declarations from all Directors of the Company, as at the reporting date, confirming that each of them have continuously satisfied the Fit and Proper Assessment Criteria set out under the Listing Rules during the financial year 2024/25 and satisfies the said criteria as at the date of such confirmation.

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

13. STATEMENT ON CORPORATE GOVERNANCE

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

(Sgd.)

S. Marimuthu

Chairman - Nominations and Governance Committee

25th June 2025

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

1. COMMITTEE COMPOSITION

- 1.1 Carson Cumberbatch PLC (CCPLC) is the Parent Company of Pegasus Hotels of Ceylon PLC. In accordance with the Listing Rules of the Colombo Stock Exchange prior to the amendments to Rule 9.3.1 effective from 01st October 2024, each listed entity was not required to maintain a separate Related Party Transactions Review Committee.

Accordingly, the Related Party Transactions Review Committee (RPTRC) of CCPLC functioned as the RPTRC of the Company until 25th September 2024 and comprised of the following members:

Member	Independent Non-Executive / Non-Executive
Mr. W. M. R. S. Dias (Chairman)	Independent Non-Executive Director of CCPLC
Mr. R. Theagarajah	Independent Non-Executive Director of CCPLC
Mr. D. C. R. Gunawardena	Non-Executive Director of CCPLC
Mr. H. Selvanathan	Non-Executive Director of CCPLC
Mr. M. Selvanathan	Non-Executive Director of CCPLC
Mr. S. K. Shah	Non-Executive Director of CCPLC

- 1.2 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 CCPLC ceased to function as the Related Party Transactions Review Committee of Pegasus Hotels of Ceylon PLC with effect from 25th September 2024.

In terms of Rule 9.14 of the Listing Rules of the Colombo Stock Exchange, the Related Party Transactions Review Committee (RPTRC) of Pegasus Hotels of Ceylon PLC was formed w.e.f. 25th September 2024. As at the reporting date, the RPTRC consists of the following Members:

Member	Independent Non-Executive / Non-Executive / Executive
Mr. A. S. Amaratunga (Chairman)	Independent Non-Executive
Mr. S. Marimuthu	Independent Non-Executive
Mr. D. R. P. Goonetilleke	Non-Executive

2. MEETING ATTENDANCE

- 2.1 From 01st April 2024 to 25th September 2024, the Carson Cumberbatch PLC Related Party Transactions Review Committee which functioned as the RPTRC of the Company until 25th September 2024 met twice. The attendance of the Carson Cumberbatch PLC Committee Members at these meetings was as follows:

Member	Independent Non-Executive / Non-Executive / Executive	Attendance
Mr. W. M. R. S. Dias (Chairman)	Independent Non-Executive Director of CCPLC	2/2
Mr. R. Theagarajah	Independent Non-Executive Director of CCPLC	1/2
Mr. D. C.R. Gunawardena	Non-Executive Director of CCPLC	2/2
Mr. H. Selvanathan	Non-Executive Director of CCPLC	-
Mr. M. Selvanathan	Non-Executive Director of CCPLC	2/2
Mr. S.K. Shah	Non-Executive Director of CCPLC	2/2

- 2.2 From 25th September 2024 until the reporting date, the Pegasus Hotels of Ceylon PLC Related Party Transactions Review Committee met three (3) times. The attendance of Pegasus Hotels of Ceylon PLC Committee Members at these meetings was as follows:

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

Member	Independent Non-Executive / Non-Executive	Attendance
Mr. A. S. Amaratunga (Chairman)	Independent Non-Executive	3/3
Mr. S. Marimuthu	Independent Non-Executive	3/3
Mr. D. R. P. Goonetilleke	Non-Executive	3/3

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

3.1 Non-Recurrent Related Party Transactions

In accordance with Rule 9.14.8(1) of the Listing Rules of the Colombo Stock Exchange, there were no Non-Recurrent Related Party Transactions entered into by the Company, where the aggregate value of such Transactions exceeded 10% of the Equity or 5% of the Total Assets of the Company, whichever is lower, as per the Audited Financial Statements as at 31st March 2025.

3.2 Recurrent Related Party Transactions

In accordance with Rule 9.14.8(2) of the Listing Rules of the Colombo Stock Exchange, there were no Recurrent Related Party Transactions entered into by the Company, where the aggregate value of such transactions exceeded 10% of the Gross Revenue/ Income (or equivalent term in the Income Statement and in the case of group entity consolidated revenue), as per the latest Audited Financial Statements as at 31st March 2025.

4. STATEMENT ON REVIEW OF RELATED PARTY TRANSACTIONS

As required by Rule 9.14.8 (3) of the Listing Rules of the Colombo Stock Exchange, the Related Party Transactions Review Committee (RPTRC) of the Company effective as at that time has reviewed all Related Party Transactions (RPTs) carried out during the financial year from 1st April 2024 to 31st March 2025, excluding those transactions exempted under Listing Rule 9.14.10 of the Listing Rules of the CSE and those exempted by the RPTRC Charter.

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

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

- 1) As required by Rule 9.14.8 (3) of the Listing Rules of the Colombo Stock Exchange, the Committee adopts the following policies and procedures for reviewing related party transactions of the Company. The Related Party Transactions Review Committee (RPTRC) reviews relevant Related Party Transactions (RPTs) of the Company. Where the Committee determines that approval of the Board of Directors of the Company is required, such approval is obtained prior to entering into the relevant transaction.
- 2) The RPTRC is provided with all the facts and circumstances of proposed RPT by senior management to facilitate the review of a RPT and such information includes;
 - The Related Party's relationship to the Company and interest in the transaction;
 - material facts of the proposed RPT, including the proposed aggregate value of such transaction;
 - the benefits of the proposed RPT to the Company;
 - availability of other sources of comparable products or services; and
 - an assessment of whether the proposed RPT is on terms that are comparable to the terms generally available to an unaffiliated third party under the same or similar circumstances, or to employees generally.
- 3) In reviewing a transaction, the RPTRC assesses whether the proposed RPT conducted during the ordinary course of business and is carried out at an arm's length basis, regardless of whether the transaction is of recurrent or non-recurrent in nature.

- 4) Reviews and approvals by the RPTRC are conducted either at duly convened Meetings of the Committee (subject to quorum requirements being met) or by way of Circular Resolution.
- 5) In deciding whether to seek the approval of the Board of Directors for a given RPT, the RPTRC considers, among other relevant factors, whether the transaction pose any actual or potential conflict of interest to the Directors and advising them accordingly.
- 6) Submit Related Party Transactions that require Shareholder approval by way of a Special Resolution, as stipulated under Rule 9.14 of the Listing Rules of the Colombo Stock Exchange and the provisions of the RPTRC Charter, for Shareholder approval once reviewed and approved by the RPTRC and the Board of Directors of the Company.
- 7) The Board of Directors of the Company has been identified as Key Management Personnel (KMP). Each Director and KMPs provide declarations to identify parties related to them. Related Party Transactions are identified based on the disclosures made in these declarations.

6. DECLARATION

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

The Company is in compliance with Rule 9.14 of the Listing Rules of the Colombo Stock Exchange, pertaining to Related Party Transactions, during the financial year ended 31st March 2025.

I take this opportunity to thank the Members of the Related Party Transactions Review Committee of Carson Cumberbatch PLC for the invaluable contribution made by them to the Company in the past years.

(Sgd.)

A. S. Amaratunga

Chairman – Related Party Transactions Review Committee

25th June 2025

AUDIT COMMITTEE REPORT

1. COMMITTEE COMPOSITION

1.1 Carson Cumberbatch PLC (CCPLC) is the Parent Company of Pegasus Hotels of Ceylon PLC. In accordance with the Listing Rules of the Colombo Stock Exchange (CSE) prior to the amendments to Rule 9.3.1 effective 01st October 2024, each listed entity was not required to maintain a separate Audit Committee.

Accordingly, the Audit Committee of CCPLC functioned as the Audit Committee of the Company until 25th September 2024 and comprised of the following Members:

Audit Committee Member	Independent Non-Executive/ Non-Executive
Mr. A.S. Amaratunga (Chairman)	Independent Non-Executive Director of CCPLC
Mr. Y.H. Ong	Independent Non-Executive Director of CCPLC
Mr. D.C.R. Gunawardena	Non-Executive Director of CCPLC

Following the regulatory amendment, effective 01st October 2024, which mandates that each listed entity must establish and maintain its own Audit Committee, the Audit Committee of CCPLC ceased to function as the Audit Committee of Pegasus Hotels of Ceylon PLC with effect from 25th September 2024.

1.2 In terms of Rule 9.13 of the Listing Rules of the Colombo Stock Exchange (CSE) an Audit Committee was formed for Pegasus Hotels of Ceylon PLC on 25th September 2024. As at the reporting date, the Audit Committee of Pegasus Hotels of Ceylon PLC consists of the following Members:

Audit Committee Member	Independent Non-Executive/ Non-Executive
Mr. A.S. Amaratunga (Chairman)	Independent Non-Executive
Mr. S. Marimuthu	Independent Non-Executive
Mr. D. R. P. Goonetilleke	Non-Executive

1.3 Profile of the Members of the Audit Committee Mr. A.S. Amaratunga (Chairman)

Mr. Saktha Amaratunga is an Independent, Non-Executive Director of Bukit Darah PLC, Carson Cumberbatch PLC and in several companies of Carson Cumberbatch Group, Chairman of the Audit Committees of Carson Cumberbatch Group and is also a Commissioner of PT Agro Indomas, Indonesia, a subsidiary of the Carson Cumberbatch Group. He is also an Audit Committee Member of MAS Holdings Ltd and was an Independent Non-Executive Director and Audit Committee Chair of Hemas Holdings PLC for 09 years.

Mr. Amaratunga has many years of experience in Strategy Development, Business Restructuring, Risk and Governance, International Finance and People Development.

He is a Fellow Member of the Chartered Accountants of Sri Lanka, Associate Member of the Chartered Institute of Management Accountants, UK and also a Member of CPA Australia.

Mr. S. Marimuthu

Mr. Sivanandan Marimuthu is a Director of Equity One Limited, Equity Two PLC, Pegasus Hotels of Ceylon PLC, Industrial Asphalts (Ceylon) PLC, Knightsbridge Technologies (Pvt) Ltd and Silverfalls (Pvt) Limited.

He is a career banker with over 25 years of experience having served international banks in senior leadership capacities. Mr. Marimuthu played a key role in ensuring bank's risk and compliance processes are in order, having implemented the operational risk framework, customer due diligence, anti-money laundering processes, design of risk assessment tools and core bank system implementations at Standard Chartered bank.

He holds a Masters in Business Administration from the University of Wollongong – Australia, a Bachelor of Commerce from Loyola College, India and is also a CIMA Passed Finalist.

Mr. D. R. P. Goonetilleke

Mr. Ranil Goonetilleke joined the Carsons Group in 1998 as a Financial Controller and in 2005 was appointed as Finance Director of Brewery Sector, which post he held until his retirement in December 2023. He is the immediate past Chairman of the Exporters Association of Sri Lanka of the Ceylon Chamber of Commerce. He serves on the Boards and Audit Committees of Lion Brewery Ceylon PLC, Pegasus Hotels of Ceylon PLC, Namunukula Plantations PLC and Ceylinco Holdings PLC and is also Director at Carsons Management Services (Private) Ltd.

Mr. Goonetilleke is a Fellow of the Chartered Institute of Management Accountants, UK. Consequent to initial training at KPMG, he has held various positions in the mercantile sector in the field of Finance and counts over 35 years' experience.

2. MEETINGS OF THE AUDIT COMMITTEE

2.1 From 01st April 2024 to 25th September 2024, the Carson Cumberbatch PLC Audit Committee which functioned as the Audit Committee of Pegasus Hotels of Ceylon PLC held two (03) Meetings to discuss matters pertaining to the Company and the attendance of the Members at the Committee Meetings was as follows:

Audit Committee Member	Independent Non-Executive/ Non-Executive	Attendance
Mr. A.S. Amaratunga (Chairman)	Independent Non-Executive Director of CCPLC	03/03
Mr. Y.H. Ong	Independent Non-Executive Director of CCPLC	02/03
Mr. D.C.R. Gunawardena	Non-Executive Director of CCPLC	03/03

2.2 From 25th September 2024 until the reporting date, the Audit Committee of Pegasus Hotels of Ceylon PLC met six (06) times and the attendance of the Audit Committee Members was as follows:

Audit Committee Member	Independent Non-Executive/ Non-Executive	Attendance
Mr. A.S. Amaratunga (Chairman)	Independent Non-Executive	06/06
Mr. S. Marimuthu	Independent Non-Executive	06/06
Mr. D. R. P. Goonetilleke	Non-Executive	06/06

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

3. AUDIT COMMITTEE CHARTER

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

4. FUNCTIONS AND DUTIES

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

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

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

AUDIT COMMITTEE REPORT

- 4.4 Recommends appointment/re-appointment/removal of External Auditors and approve their remuneration and engagement terms.
- 4.5 Obtains and reviews assurances received from the Managers that the financial records have been properly maintained and the Financial Statements give a true and fair view of the Company's operations and finances. Reviews assurances given by the Managers and Key Management Personnel who are responsible, regarding the adequacy and effectiveness of the Company's risk management and internal control systems.
- 4.6 Reviews the internal controls in place to prevent the leakage of material information to unauthorised persons.
- 4.7 Reviews and oversees processes to ensure that the Company's internal controls and risk management are adequate to meet the requirements of the Sri Lanka Auditing Standards.
- 4.8 Reviews and assesses the Company's risk management process, including control environment in high-risk areas, Business continuity plans, and reviews the risk policies adopted by the Company on an annual basis.
- 4.9 Takes prompt corrective action to request management to mitigate the effects of specific risks.
- 4.10 Reviews the scope and results of the internal and external audits and its effectiveness, and the independence, performance and objectivity of the auditors.
- 4.11 Developed and implemented a policy on how to engage External Auditors for non-audit services, ensuring compliance with independence and ethical guidelines. Reports any concerns or areas for improvement to the Board along with recommended actions.

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

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

6. INTERNAL AUDIT

- 6.1 The objective of the Group Internal Audit function is to provide an independent assessment of the system of internal controls established by management. This includes evaluating their adequacy and integrity in relation to the objectives they are intended to support, as well as determining the extent of compliance by responsible staff. Where necessary, corrective or preventive actions are recommended.
- 6.2 The Audit Committee approved the Leisure Sector Audit Plan for the financial year 2024/2025. In accordance with the plan, Group Internal Audit has conducted relevant reviews of the Leisure Sector companies. Where necessary, the Audit Plan was reviewed and adjusted to enable the Internal Audit team to address areas requiring attention beyond the initial scope of the Internal Audit Plan.

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

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

7. STATUS OF RISK MANAGEMENT AND INTERNAL CONTROL

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

7.2 The Committee provides oversight on adequacy and effectiveness of the Company's internal controls and risk management processes, in meeting the requirements of the Sri Lanka Auditing Standards.

8. EXTERNAL AUDIT

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

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

8.3 Messrs. KPMG have been the External Auditors of the Company since 1967 and the Audit Engagement Partner for the financial year ended 31st March 2025 is Mr. Dhammika Rajapakse, who was appointed as Audit Partner in 2018 following the rotation of the previous Partner.

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

8.5 The Members of the Audit Committee have concurred to recommend to the Board of Directors the re-appointment of Messrs. KPMG, Chartered Accountants, as Auditors for the financial year ending 31st March 2026, subject to the approval of the shareholders of Pegasus Hotels of Ceylon PLC at the Annual General Meeting.

8.6 The Audit Committee held a meeting to discuss and review the Financial Statements of the Company, the Audit Opinion and External Audit matters of the Company for the year ended 31st March 2025, together with the External Auditors, Messrs. KPMG, prior to release of same to the Regulatory Authorities and to the Shareholders.

I take this opportunity to thank the members of Audit Committee of Carson Cumberbatch PLC for the invaluable contribution made by them to the Company in the past years.

(Sgd.)

A. S. Amaratunga
Chairman - Audit Committee

25th June 2025



Financial Information

Financial Calendar.....	45
Independent Auditor's Report.....	46
Statement of Profit or Loss and Other Comprehensive Income	50
Statement of Financial Position.....	51
Statement of Changes in Equity	52
Statement of Cash Flows.....	53
Notes to the Financial Statements.....	54

FINANCIAL CALENDAR

Financial Year	31st March 2025
Announcement of Results	
1st Quarter	30th June 2024
Issued to Colombo Stock Exchange	14th August 2024
2nd Quarter	30th September 2024
Issued to Colombo Stock Exchange	13th November 2024
3rd Quarter	31st December 2024
Issued to Colombo Stock Exchange	14th February 2025
4th Quarter	31st March 2025
Issued to Colombo Stock Exchange	30th May 2025
Meetings	
59th Annual General Meeting	23rd July 2025

INDEPENDENT AUDITOR'S REPORT



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

Tel +94 - 11 542 6426
Fax +94 - 11 244 5872
+94 - 11 244 6058
Internet www.kpmg.com/lk

TO THE SHAREHOLDERS OF PEGASUS HOTELS OF CEYLON PLC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Pegasus Hotels of Ceylon PLC ("the Company"), which comprise the statement of financial position as at 31st March 2025, and the statement of profit and loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policies and other explanatory information.

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

Basis for Opinion

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

Key Audit Matters

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

KPMG, a Sri Lankan partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

C.P. Jayatileke FCA
Ms. S. Joseph FCA
R.M.D.B. Rajjepsase FCA
M.N.M. Shanmali FCA
Ms. P.M.K. Sumansekara FCA

T.J.S. Rejekarier FCA
W.K.D.C. Abeyaratne FCA
Ms. B.K.D.T.N. Rodrigo FCA
Ms. C.T.K.N. Perera ACA
R.W.M.O.W.D.B. Rathnadivakara FCA

W.W.J.C. Perera FCA
G.A.U. Karunaratne FCA
R.H. Rajan FCA
A.M.R.P. Alahakoon ACA

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

01. Management assessment of the Company ability to continue as going concern.

Refer the Note 37 to the financial statements

Risk Description

The Company has incurred a net loss of Rs. 51.3 Mn for the year ended 31st March 2025, and accumulated loss of Rs. 177.8 Mn and total borrowing of Rs.181.2 Mn. As disclosed in note 37, the financial statements have been prepared on a going-concern basis.

In adopting the going concern basis of preparation of the financial statements, the directors have reviewed the Company's cash flow projections prepared by the management and the ability of the Company to obtain or renew bank loans and other financing facilities. The cash flow projections were based on management's assumptions and estimation of future cash inflows and outflows. Further, during the year, the Company disposed its subsidiary, resulting in the Company's cash and cash equivalents as at the year-end to amount to Rs. 249 Mn. As such, the significance of the Going Concern risk has decreased in the current year.

We have identified the management assessment of the Company's ability to continue as a going concern as a key audit matter because the cash flow projections referred to above involve consideration of future events and circumstances which are inherently uncertain, and the effect of those uncertainties may significantly impact the resulting accounting estimates. Therefore, the assessment requires the exercise of significant management judgement in assessing future cash inflows and outflows, which could be subject to potential management bias.

Our Response

Our audit procedures included,

- Obtaining the Company's cash flow projections covering period of not less than twelve months from the reporting period end date and assessing these key assumptions used in preparing the projections.
- Evaluating the sensitivity of the projected available cash by considering downside scenarios together with reasonably plausible changes to the key assumptions and considering whether there were any indicators of management bias in the selection of the assumptions.
- Inspecting the facility agreements for the Company's long-term loans to identify any financial covenants or similar terms and assessing the implication of these on the Company's liquidity.
- Assessing the adequacy of disclosures in the financial statements in relation to the Company's ability to continue as going concern with reference to the requirements of the prevailing accounting standards.

INDEPENDENT AUDITOR'S REPORT



Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statement and our auditor's report there on.

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management'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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Company 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 2618.



CHARTERED ACCOUNTANTS
Colombo, Sri Lanka

25th June 2025

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(All figures in Sri Lankan Rupees thousands)

For the year ended 31st March	Note	Group		Company	
		2025	2024	2025	2024
Revenue	11	1,138,311	927,369	968,685	774,918
Direct costs		(778,012)	(703,314)	(649,371)	(579,267)
Gross profit		360,299	224,055	319,314	195,651
Other income	12	7,843	7,086	4,939	4,446
Selling and promotional expenses		(82,810)	(46,551)	(69,983)	(38,366)
Administrative expenses		(319,909)	(258,981)	(265,856)	(210,081)
Loss from operations	13	(34,577)	(74,391)	(11,586)	(48,350)
Gain / (loss) from disposal of subsidiary	20.4	6,644	-	(21,834)	-
Finance income	14.1	10,235	10,157	9,997	9,702
Finance costs	14.2	(23,717)	(47,454)	(19,880)	(31,500)
Net finance income / (cost)	14	(13,482)	(37,297)	(9,883)	(21,798)
Loss before taxation		(41,415)	(111,688)	(43,303)	(70,148)
Income tax expenses	15.1	-	-	-	-
Deferred taxation	15.2	(4,890)	12,168	(7,986)	22,385
Loss for the year		(46,305)	(99,520)	(51,289)	(47,763)
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Gain / (loss) from actuarial valuation of employee benefits	29.2	(4,432)	(9,890)	(6,568)	(7,813)
Revaluation of property, plant and equipment	17	-	461,074	-	425,642
Related tax	28.1	1,330	(135,355)	1,970	(125,349)
Other comprehensive income / (expense) for the year		(3,102)	315,829	(4,598)	292,480
Total comprehensive income / (expense) for the year		(49,407)	216,309	(55,887)	244,717
Earnings / (loss) per share (Rs.)	16	(1.10)	(2.58)	(1.22)	(1.24)

The notes from pages 54 to 106 form an integral part of these Financial Statements.
Figures in brackets indicate deductions.

STATEMENT OF FINANCIAL POSITION

(All figures in Sri Lankan Rupees thousands)

As at 31st March	Note	Company		Group
		2025	2024	2024
ASSETS				
Non-current assets				
Property, plant and equipment	17	2,636,579	2,673,699	3,017,378
Right-of-use assets	18	-	-	6,640
Intangible assets	19	-	-	336
Investment in subsidiary	20	-	256,842	-
Compensation receivable	21	24,759	24,759	24,759
Total non-current assets		2,661,338	2,955,300	3,049,113
Current assets				
Inventories	22	38,386	31,363	38,866
Investment in fixed deposits		125,033	88,550	88,550
Trade and other receivables	23	125,850	99,934	115,774
Tax receivable		1,787	1,624	2,187
Cash and cash equivalents	24	248,955	59,404	63,164
Total current assets		540,011	280,875	308,541
Total assets		3,201,349	3,236,175	3,357,654
EQUITY AND LIABILITIES				
Equity				
Stated capital	25	751,549	751,549	751,549
Capital reserves	26	1,598,932	1,598,932	1,783,202
Revenue reserves	27	(177,667)	(121,896)	(312,640)
Total equity		2,172,814	2,228,585	2,222,111
Non-current liabilities				
Deferred tax liability	28	616,430	610,414	648,819
Employee benefits	29	27,982	16,476	22,366
Loans and borrowings	30	68,948	87,198	114,521
Lease liability	31	-	-	11,163
Total non-current liabilities		713,360	714,088	796,869
Current liabilities				
Trade and other payables	32	202,925	148,795	176,648
Amounts due to related companies	35.5	-	37,437	52,855
Loans and borrowings	30	112,250	107,270	108,607
Lease liability	31	-	-	564
Total current liabilities		315,175	293,502	338,674
Total liabilities		1,028,535	1,007,590	1,135,543
Total equity and liabilities		3,201,349	3,236,175	3,357,654
Net assets per share (Rs.)		51.48	52.80	52.64

The notes from pages 54 to 106 form an integral part of these Financial Statements.

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

(Sgd.)

P.C. Pahalagamage

Group Financial Controller

Carsons Management Services (Private) Limited

The Board of Directors is responsible for the preparation and presentation of these financial statements. These financial statements were approved by the Board on 25th June 2025.

Approved and signed on behalf of the Managers,

Approved and signed on behalf of the Board,

(Sgd.)

V.R. Wijesinghe

Director

Carsons Management Services (Private) Limited

25th June 2025

(Sgd.)

M. Dayananda

Chairman

(Sgd.)

K. Selvanathan

Director

STATEMENT OF CHANGES IN EQUITY

(All figures in Sri Lankan Rupees thousands)

	Stated capital	Capital reserves Revaluation reserve	Capital accretion reserve	Revenue reserves General reserve	Retained earnings / (accumulated losses)	Total equity attributable to equity holders of the parent company
COMPANY						
Balance as at 1st April 2023	591,149	1,285,839	15,144	176	(66,836)	1,825,472
Loss for the year	-	-	-	-	(47,763)	(47,763)
Other comprehensive income / (expense) for the year	-	297,949	-	-	(5,469)	292,480
Total comprehensive income / (expense) for the year	-	297,949	-	-	(53,232)	244,717
Rights issue of shares (note 25.1)	160,400	-	-	-	-	160,400
Expenses on rights issue of shares (note 25.2)	-	-	-	-	(2,121)	(2,121)
Forfeiture of unclaimed dividends	-	-	-	-	117	117
Balance as at 31st March 2024	751,549	1,583,788	15,144	176	(122,072)	2,228,585
Balance as at 1st April 2024	751,549	1,583,788	15,144	176	(122,072)	2,228,585
Loss for the year	-	-	-	-	(51,289)	(51,289)
Other comprehensive income / (expense) for the year	-	-	-	-	(4,598)	(4,598)
Total comprehensive income / (expense) for the year	-	-	-	-	(55,887)	(55,887)
Forfeiture of unclaimed dividends	-	-	-	-	116	116
Balance as at 31st March 2025	751,549	1,583,788	15,144	176	(177,843)	2,172,814
GROUP						
Balance as at 1st April 2023	591,149	1,445,306	15,144	176	(203,865)	1,847,910
Loss for the year	-	-	-	-	(99,520)	(99,520)
Other comprehensive income / (expense) for the year	-	322,752	-	-	(6,923)	315,829
Total comprehensive income / (expense) for the year	-	322,752	-	-	(106,443)	216,309
Rights issue of shares (note 25.1)	160,400	-	-	-	-	160,400
Expenses on rights issue of shares (note 25.2)	-	-	-	-	(2,625)	(2,625)
Forfeiture of unclaimed dividends	-	-	-	-	117	117
Balance as at 31st March 2024	751,549	1,768,058	15,144	176	(312,816)	2,222,111

The notes from pages 54 to 106 form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

STATEMENT OF CASH FLOWS

(All figures in Sri Lankan Rupees thousands)

For the year ended 31st March	Note	Company 2025	2024	Group 2024
Cash flows from operating activities				
Loss before taxation		(43,303)	(70,148)	(111,688)
Adjustments for:				
Interest income on fixed deposits	14.1	(9,175)	(9,702)	(10,157)
Unrealised foreign exchange loss/ (gain)		1,081	6,176	6,271
Loss from disposal of subsidiary	20.4	21,834	-	-
Interest expenses on loans and borrowings	14.2	18,799	25,324	40,019
Interest expenses on lease liability	14.2	-	-	1,164
Amortisation of right of use assets	18	-	-	258
Amortisation of intangible assets	19	-	-	336
Depreciation on property, plant and equipment	17	62,738	64,362	79,761
(Profit) / loss on disposal of property, plant and equipment	12	-	1	1
Property, plant and equipment written off		1,312	-	-
Provision for employee benefits	29.2	4,420	2,885	3,745
Provision made / (reversal of provision) for impairment of trade receivables, net	23.1.1	(501)	(321)	(321)
Operating profit / (loss) before working capital changes		57,205	18,577	9,389
(Increase) / decrease in inventories		(7,023)	5,029	3,121
(Increase) / decrease in trade and other receivables		(24,382)	(63,225)	(70,541)
Increase / (decrease) in trade and other payables		56,279	25,186	34,463
Increase / (decrease) in amounts due to related companies		(37,437)	27,447	20,365
Cash generated from / (used in) operations		44,642	13,014	(3,203)
Employee benefits paid	29.1	(515)	(3,851)	(4,462)
Income tax paid		-	-	-
Net cash generated from / (used in) operating activities		44,127	9,163	(7,665)
Cash flows from investing activities				
Investment in subsidiary	20.3	-	(120,406)	-
Proceeds from disposal of subsidiary, net of transaction cost	20.4	235,008	-	-
Purchase of property, plant and equipment	17	(28,555)	(16,701)	(17,533)
Proceeds from disposal of property, plant and equipment		78	-	-
Investment in fixed deposits		(57,500)	(115,640)	(115,640)
Withdrawal of fixed deposits		20,968	63,663	63,663
Interest received		9,061	9,634	10,060
Net cash generated from / (used in) investing activities		179,060	(179,450)	(59,450)
Cash flows from financing activities				
Proceeds from rights issue of shares	25.1	-	160,400	160,400
Expenses on rights issue of shares	25.2	-	(2,121)	(2,625)
Dividend paid		-	(2)	(2)
Lease rental paid	31.1	-	-	(1,304)
Loans and borrowings obtained during the year	30.1	233,000	94,000	94,000
Loans and borrowings repaid during the year	30.1	(246,270)	(31,204)	(118,759)
Interest paid on loans and borrowings		(19,285)	(25,178)	(39,873)
Net cash generated from / (used in) financing activities		(32,555)	195,895	91,837
Net increase / (decrease) in cash and cash equivalents		190,632	25,608	24,722
Effect of exchange rate changes on cash and cash equivalents		(1,081)	(6,176)	(6,271)
Cash and cash equivalents at the beginning of the year		59,404	39,972	44,713
Cash and cash equivalents at the end of the year	24	248,955	59,404	63,164

The notes from pages 54 to 106 form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

NOTES TO THE FINANCIAL STATEMENTS

(All figures in Sri Lankan Rupees thousands)

1. CORPORATE INFORMATION

a) Reporting Entity

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

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

b) Consolidated Financial Statements

These financial statements for the year ended 31st March 2025 include the consolidated results of the Company and its Subsidiary (together referred to as the 'Group' and individually as 'Group entities') up to the date of disposal of the Subsidiary. Accordingly, only the Statement of Profit or Loss and Other Comprehensive Income is presented on a consolidated basis, while the other statements reflect the standalone position of the Company as at 31st March 2025.

c) Disposal of subsidiary - Equity Hotels Limited

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

d) Principal activities and nature of operations

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

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

e) Parent enterprise and ultimate parent enterprise

The Company's Parent undertaking as of 31st March 2025 is Carson Cumberbatch PLC and its ultimate Parent undertaking and controlling entity is Bukit Darah PLC.

f) Number of employees

The number of employees of the Company as at the reporting date was 219 (2024: 192 and 238 for the Company and Group, respectively).

g) Responsibility for financial statements and approval of financial statements

The Board of Directors is responsible for preparing and presenting the financial statements of the Company and the Group as per the provisions of Companies Act No. 07 of 2007 and the Sri Lanka Accounting and Auditing Standards Act. The Directors' responsibility over financial statements for the year ended 31st March 2025 is detailed in the Statement of Directors' Responsibility.

The financial statements of the Group for the year ended 31st March 2025 were authorised for issue in accordance with a resolution of the Board of Directors on 25th June 2025.

2. BASIS OF PREPARATION

a) Statement of compliance

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

b) Statement of presentation

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

c) Basis of measurement

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

- Land and buildings measured at revalued amounts – Note 17
- Defined benefit obligations measured at its present value based on an actuarial valuation - Note 29

d) Functional and presentation currency

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

e) Use of accounting judgments, estimates and assumptions

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

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

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

- Deferred tax assets: Utilisation of tax losses - Note 28.5
- Measurement of Defined benefit obligation: Key actuarial assumptions - Note 29
- Commitments and contingencies - Note 34

- Revaluation of Land and Buildings - Note 33.7
- Compensation receivable measured at amortized cost - Note 21
- Measurement of ECL allowance for trade receivables - Note 23.1.1

f) Measurement of fair values

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

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

Significant valuation issues are reported to the Group's Audit Committee.

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

(All figures in Sri Lankan Rupees thousands)

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

Further information about the assumptions made in measuring fair value is included in note 33.7.

g) **Materiality and aggregation**

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

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

h) **Going Concern**

Financial statements of the Group have been prepared on a going concern basis, as detailed in note 37.

i) **Comparative Information**

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

3. **MATERIAL ACCOUNTING POLICIES**

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

a) **Basis of consolidation**

i. **Business combinations**

The Group accounts for business combinations using the acquisition method when the acquired set of activities and the assets meet the definition of a business, and control is transferred to the Group. In determining whether the particular activities and the assets are a business, the Group assesses whether

the set of activities and assets acquired include, at minimum, an input and a substantive process and whether the acquired set of activities and assets has the ability to produce outputs.

The Group has the option to apply a ‘Concentration test’ that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The consideration transferred in the acquisition is generally measured at fair value as the identifiable net assets acquired. Any goodwill arising is tested annually for impairment. Any gain or bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include the amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in the profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition, if an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and the settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date, and subsequent changes in the fair value of the contingent consideration are recognised in the profit or loss.

If share-based payment awards (replacement awards) are required to be exchanged for the awards held by the acquiree’s employees (acquiree’s awards) then all or the portion of the amount of the acquirer’s replacement awards is included in measuring the consideration transferred in the business combination. The determination is based on the market-based measure of the replacement awards compared with the market-based measure of the acquiree’s awards and the extent to which the replacement awards relate to precombination service.

ii. Subsidiaries

Subsidiaries are entities controlled by the Group. The Group 'controls' an entity if it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Where necessary, adjustments have been made to the subsidiary's accounting policies to align them with the policies adopted by the Group.

In the Company's financial statements, investments in Subsidiaries are carried at cost less impairment, if any, in net recoverable value.

The consolidated financial statements are prepared for a common financial year ending on 31st March.

iii. Non-controlling interest (NCI)

NCI is measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

Changes in the Group's interest in a Subsidiary that do not result in a loss of control are accounted for as equity transactions.

However, the Company held a 99.99% equity interest in its subsidiary, Equity Hotels Limited, and hence non-controlling interest is not applicable.

iv. Loss of control

When a Group loses control over a Subsidiary, it derecognises the assets and liabilities of subsidiary and any related Non-Controlling Interest and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value as at the date that control is lost. Subsequently, It is accounted for as an equity-accounted investee or as a financial asset, depending on the level of influence retained.

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

V. Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gain or losses) arising from intragroup transactions, are eliminated. Unrealised gains arising from the transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

b) Foreign currency

Foreign currency transactions

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

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

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

c) Financial instruments

i. Recognition and initial measurement

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

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

NOTES TO THE FINANCIAL STATEMENTS

(All figures in Sri Lankan Rupees thousands)

ii. *Financial Assets*

Classification and subsequent measurement

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

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

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

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

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

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

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

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

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

Financial assets – Business model assessment

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

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

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

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

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

For the purpose of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money, the credit risk associated with the principal amount outstanding during a particular period, and other basic lending risks and costs. (e.g. liquidity risk and administrative costs), as well as a profit margin.

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

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

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

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

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

iv. Derecognition
1. Financial asset

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

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

NOTES TO THE FINANCIAL STATEMENTS

(All figures in Sri Lankan Rupees thousands)

Financial assets – subsequent measurement and gains and losses:

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

2. *Financial liabilities*

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

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

v. *Offsetting*

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

vi. *Impairment*

1. *Non-derivative financial assets*

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

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

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

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

A financial asset is considered to be in default when:

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

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

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

Measurement of ECLs

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

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

2. Credit-impaired financial assets

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

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

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

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

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

Write-off

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

3. Non-financial assets

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

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

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

NOTES TO THE FINANCIAL STATEMENTS

(All figures in Sri Lankan Rupees thousands)

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

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

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

d) **Stated capital**

Ordinary shares

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

e) **Property, plant and equipment**

1. Recognition and measurement

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

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

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

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

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

Cost Model

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

Revaluation of freehold properties

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

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

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

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

II. Subsequent cost

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

III. Depreciation

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

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

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

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

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

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

IV. Derecognition

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

V. Capital work-in-progress.

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

f) Leases

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

As a lessee

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

NOTES TO THE FINANCIAL STATEMENTS

(All figures in Sri Lankan Rupees thousands)

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

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

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

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

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

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

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

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

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

Short-term leases and leases of low-value assets

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

Lease modifications

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

- a) the modification increases the scope of the lease by adding the right to use one or more underlying assets and
- b) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

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

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

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

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

g) Intangible assets and goodwill

i. Recognition and measurement

Goodwill

Goodwill has arisen on the acquisition of the subsidiary. Goodwill is measured at cost less accumulated impairment losses.

Software

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

ii. Subsequent expenditure

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

iii. Amortisation

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives and is generally recognised in profit or loss. Goodwill is not amortized.

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

	No of Years
Software licenses	3 – 10

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

iv. Impairment

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

v. Derecognition

Gains or losses arising from the derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

NOTES TO THE FINANCIAL STATEMENTS

(All figures in Sri Lankan Rupees thousands)

h) Inventories

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

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

i) Cash and cash equivalents

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

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

j) Employee benefits

i. Short-term employee benefits

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

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

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

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

iii. Defined benefit plans

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

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

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

iv. Termination benefits

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

k) Provisions

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

l) Contingent liabilities and contingent assets

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

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

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

Statement of Profit or Loss and Other Comprehensive Income.

m) Revenue recognition

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

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

NOTES TO THE FINANCIAL STATEMENTS

(All figures in Sri Lankan Rupees thousands)

Type of service	Nature and timing of the satisfaction of performance obligation
Provision of accommodation	The primary obligation in the customer contract is to provide rooms for guests' accommodation. This is represented in the room revenue reported in the financial statements. Revenue under this segment is recognised on the rooms occupied daily over the period of the stay. An invoice is issued to the customer on completion of the duration of the stay.
Provision of food and beverages	The following services are rendered under this performance obligation: I. Provision of BB/HB/FB meals for guests occupying the hotels, which is part and parcel of the contract entered into. Revenue is recognised on completion of the guest's stay duration. II. Provision of food and beverages - Revenue is recognised when invoiced to customers upon their consumption.
Provision of laundry, telephone, sports, etc.	These services are provided to customers as they are implied as business practices in the industry and create a valid expectation of the customer. Revenue is recognised upon the provision of services and an invoice raised.
<p>n) Other income Rent and shop income represents the rental income arising from renting of property, plant and equipment. All revenue is recognised on a straight-line basis over the term of hire.</p>	<p>Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions and corporate guarantee charges that are recognised in profit or loss and reclassifications of net losses previously recognised in other comprehensive income.</p>
<p>Dividend income is recognised when the right to receive dividends is established, which is generally when the dividend is declared. Dividend income is included under other operating income.</p>	<p>Borrowing costs not directly attributable to acquiring, constructing or producing a qualifying asset are recognised in profit or loss using the effective interest method.</p>
<p>o) Expenditure recognition All expenditures incurred in running the business and maintaining the property, plant, and equipment in a state of efficiency have been charged to income in arriving at the profit or loss for the year.</p>	<p>Foreign currency gains and losses on financial assets and financial liabilities are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.</p>
<p>p) Finance income and finance costs Finance income comprises interest income on funds invested, net gain or loss on financial assets at FVTPL, dividend income, unwinding of discount on compensation receivable, gains on the re-measurement to fair value of any pre-existing interest in an acquiree in a business combination, gains on that are recognised in profit or loss and reclassifications of net gains previously recognised in other comprehensive income. Interest income is recognised as it accrues in profit or loss, using the effective interest method.</p>	<p>q) Income tax expense Income tax expense comprises of current and deferred tax. It is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.</p> <p>The Group has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes and has therefore accounted for them under LKAS 37 Provisions, Contingent Liabilities, and Contingent Assets.</p>

i. Current taxation

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

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

ii. Deferred taxation

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

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

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

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

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

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

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

iii. Tax exposures

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

4. RELATED PARTY DISCLOSURES

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

NOTES TO THE FINANCIAL STATEMENTS

(All figures in Sri Lankan Rupees thousands)

5. STATEMENT OF CASH FLOWS

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

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

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

6. EARNINGS PER SHARE

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

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

7. EVENTS AFTER THE REPORTING PERIOD

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

8. DIVIDENDS

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

9. SEGMENT REPORTING

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

10. SRI LANKA ACCOUNTING STANDARDS (SLFRS) ISSUED BUT NOT YET EFFECTIVE

A number of new standards are effective for annual periods beginning on or after 1 January 2025 and earlier application is permitted. However, the Company has not early adopted the new or amended standards in preparing these financial statements.

General requirements for disclosure of Sustainability Related Financial Information (SLFRS S1) and Climate Related Disclosures (SLFRS S2)

In June 2023 the International Sustainability Standards Board (ISSB) released its first two sustainability disclosure standards, IFRS S1 and IFRS S2. During the year, CA Sri Lanka issued the localised standards based on these IFRSs designated as SLFRS S1 SLFRS S2. These standards became effective for the Company from 1 January 2025. No financial impact is expected on the Company except for additional disclosures.

For the year ended 31st March		Group		Company	
		2025	2024	2025	2024
11	REVENUE				
	Room revenue	522,491	380,962	423,834	296,503
	Food and beverage revenue	580,141	513,637	515,577	451,119
	Other revenue	35,679	32,770	29,274	27,296
		1,138,311	927,369	968,685	774,918
11.1	Timing of revenue recognition				
	Revenue recognised at a point in time	492,583	436,031	450,597	394,270
	Revenue recognised over time	645,728	491,338	518,088	380,648
		1,138,311	927,369	968,685	774,918
12	OTHER INCOME				
	Rent income	5,018	4,765	2,114	2,125
	Club membership income	2,061	2,222	2,061	2,222
	Profit / (loss) on disposal of property, plant and equipment	-	(1)	-	(1)
	Sundry income	764	100	764	100
		7,843	7,086	4,939	4,446
13	LOSS FROM OPERATIONS				
	Loss from operations is stated after charging all expenses including the following:				
	Auditor's remuneration				
	- Audit services	997	897	572	520
	- Non-audit services	7,750	-	7,750	-
	Amortisation of right of use assets	258	258	-	-
	Amortisation of intangible assets	336	336	-	-
	Depreciation of property, plant and equipment (note 13.1)	79,502	79,761	62,738	64,362
	Write-off of property, plant and equipment	1,312	-	1,312	-
	Reversal of Provision for impairment of trade receivables (net) (note 23.1.1)	(501)	(321)	(501)	(321)
	Professional service costs (note 13.2)	3,344	5,436	2,682	4,920
	Personnel costs (note 13.3)	291,861	208,819	241,324	166,505
	Support service fees (note 35.4)	10,299	10,326	9,039	8,660

NOTES TO THE FINANCIAL STATEMENTS

(All figures in Sri Lankan Rupees thousands)

For the year ended 31st March		Group		Company	
		2025	2024	2025	2024
13.1	Depreciation				
	Depreciation is included in the statement of profit or loss under the following headings:				
	Direct costs	70,640	65,645	55,123	51,533
	Administrative expenses	8,862	14,116	7,615	12,829
		79,502	79,761	62,738	64,362
13.2	Professional service costs				
	Legal services	789	1,770	704	1,690
	Valuation services	99	430	77	305
	Other services	2,456	3,236	1,901	2,925
		3,344	5,436	2,682	4,920
13.3	Personnel costs				
	Salaries, wages and other related expenses	262,276	187,424	216,727	149,509
	Defined benefits plan cost - employee benefits (note 29.2)	5,332	3,745	4,420	2,885
	Defined contribution plan cost - EPF and ETF	24,253	17,650	20,177	14,111
		291,861	208,819	241,324	166,505
	The above includes:				
	Directors' fees and emoluments	8,835	9,039	3,317	2,771
		8,835	9,039	3,317	2,771

For the year ended 31st March		Group		Company	
		2025	2024	2025	2024
14	NET FINANCE INCOME / (COST)				
14.1	Finance income				
	Interest income on fixed deposits	9,362	10,157	9,175	9,702
	Realised exchange gains	873	-	822	-
		10,235	10,157	9,997	9,702
14.2	Finance costs				
	Interest expenses				
	- On loans and borrowings	21,414	40,019	18,799	25,324
	- On lease liability	1,185	1,164	-	-
	Unrealised exchange losses	1,118	6,271	1,081	6,176
		23,717	47,454	19,880	31,500
	Net finance income / (cost)	(13,482)	(37,297)	(9,883)	(21,798)
15	INCOME TAX EXPENSES				
15.1	Current taxation				
	Current tax expenses (note 15.3)	-	-	-	-
	Under / (over) provision for previous years	-	-	-	-
		-	-	-	-
15.2	Deferred taxation				
	On origination and (reversal of) temporary differences (note 28.1)	4,890	(12,168)	7,986	(22,385)
		4,890	(12,168)	7,986	(22,385)
	Total taxation	4,890	(12,168)	7,986	(22,385)

NOTES TO THE FINANCIAL STATEMENTS

(All figures in Sri Lankan Rupees thousands)

15 INCOME TAX EXPENSES CONTD.

For the year ended 31st March	Group		Company	
	2025	2024	2025	2024
15.3 Reconciliation between the accounting profit and the profit for tax purposes				
Accounting profit / (loss) before taxation	(41,415)	(111,688)	(43,303)	(70,148)
Aggregate disallowable expenses	104,735	103,194	78,103	81,070
Aggregate allowable expenses	(51,066)	(62,963)	(41,559)	(51,189)
(Gain) / loss from disposal of subsidiary	(6,644)	-	21,834	-
Tax loss incurred during the year	9,465	71,457	-	40,267
Interest income	-	-	-	-
Adjusted Profit from operations for tax purposes	15,075	-	15,075	-
Investment Income - Interest income	-	-	-	-
Total Income	15,075	-	15,075	-
Utilisation of tax losses (notes 15.4)	(15,075)	-	(15,075)	-
Assessable / Taxable income	-	-	-	-
Taxation thereon (note 15.5 a)	-	-	-	-

For the year ended 31st March	Group		Company	
	2025	2024	2025	2024
15.4 Analysis of tax losses				
Tax losses brought forward	697,076	603,828	490,413	432,909
Tax loss incurred during the year	9,465	71,457	-	40,267
Adjustment on finalisation of tax liability	(209,557)	21,791	6,571	17,237
Expiry of tax losses (note 15.5 (b))	(51,943)	-	(51,943)	-
Utilisation of tax losses during the year (note 15.5 (b))	(15,075)	-	(15,075)	-
Tax losses carried forward	429,966	697,076	429,966	490,413

15.5 Income tax provisions applicable

- In terms of the provisions of Inland Revenue Act. No 24 of 2017 and amendments thereto, the Company and the Group were liable to income tax at 30% (2024 – 30%).
- As per section 19 of the Inland Revenue Act No. 24 of 2017 and amendments thereto, any unclaimed tax losses incurred during the year could be carried forward for further six years. Such losses can be set off against profits without any limitation but subject to the limitation based on the tax rate applicable for source of income as provided in the Act. The Company has carried forward tax losses which are available to be set off against the future tax profits of the Company.
- Deferred tax has been computed using the rate of 30% (2024 – 30%).

16 EARNINGS / (LOSS) PER SHARE

16.1 Basic Earnings / (loss) per share

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

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

For the year ended 31st March	Group		Company	
	2025	2024	2025	2024
Amount used as the numerator				
Profit / (loss) attributable to the ordinary shareholders of the Company (In Rupees thousands)	(46,305)	(99,520)	(51,289)	(47,763)
Amount used as the denominator				
Weighted average number of ordinary shares in issue applicable to Earnings per Share (In thousands) (note 16.1.1)	42,210	38,510	42,210	38,510
Earnings / (loss) per share (Rs.)	(1.10)	(2.58)	(1.22)	(1.24)

16.1.1 Weighted average number of ordinary shares

For the year ended 31st March	Group		Company	
	2025	2024	2025	2024
Issued ordinary shares as at the beginning of the year	42,210,470	33,768,376	42,210,470	33,768,376
Effect of rights issue of shares	-	4,741,450	-	4,741,450
Weighted average number of ordinary shares as at the end of the year	42,210,470	38,509,826	42,210,470	38,509,826

16.2 Diluted Earnings / (loss) per share

There were no potentially dilutive ordinary shares as at 31st March 2025 and there have been no transactions involving ordinary shares or potential ordinary shares as at the reporting date which would require restatement of EPS.

NOTES TO THE FINANCIAL STATEMENTS

(All figures in Sri Lankan Rupees thousands)

17 PROPERTY, PLANT AND EQUIPMENT 17.1 Company

Cost / valuation	Freehold land	Freehold building	Plant and machinery	Furniture and fittings	Computer equipment	Equipment	Motor vehicles	Cutlery crockery and glassware	Capital work-in progress	Total as at 31st March 2025	Total as at 31st March 2024
Balance as at the beginning of the year	1,567,198	1,056,303	116,866	160,569	16,715	130,469	4,569	5,088	8,808	3,066,585	2,705,339
Additions during the year	-	1,730	5,633	1,839	1,360	3,870	-	617	13,506	28,555	16,701
Transfers during the year	-	8,912	9,886	-	-	-	-	-	(18,798)	-	-
Revaluation	-	-	-	-	-	-	-	-	-	-	425,642
Adjustment on revaluation	-	-	-	-	-	-	-	-	-	-	(76,968)
Disposal/write off during the year	-	(1,797)	(263)	(359)	(509)	(1,463)	-	(2,239)	(1,312)	(7,942)	(4,129)
Balance as at the end of the year	1,567,198	1,065,148	132,122	162,049	17,566	132,876	4,569	3,466	2,204	3,087,198	3,066,585
Depreciation											
Balance as at the beginning of the year	-	-	102,070	153,531	15,357	115,151	4,569	2,208	-	392,886	408,554
Charge for the year	-	45,468	5,372	3,707	1,044	6,572	-	575	-	62,738	64,362
Adjustment on revaluation	-	-	-	-	-	-	-	-	-	-	(76,968)
On disposal during the year	-	(1,797)	(263)	(353)	(509)	(1,391)	-	(692)	-	(5,005)	(3,062)
Balance as at the end of the year	-	43,671	107,179	156,885	15,892	120,332	4,569	2,091	-	450,619	392,886
Net book value as at the end of the year	1,567,198	1,021,477	24,943	5,164	1,674	12,544	-	1,375	2,204	2,636,579	2,673,699

17.2 Group

Cost / valuation	Freehold land	Freehold building	Plant and machinery	Furniture and fittings	Computer equipment	Equipment	Motor vehicles	Cutlery crockery and glassware	Capital work-in progress	Total as at 31st March 2024
Balance as at the beginning of the year	1,314,259	1,274,933	143,040	186,934	17,359	145,408	4,569	7,467	180	3,094,149
Additions during the year	-	-	-	-	917	6,109	-	1,699	8,808	17,533
Transfers during the year	-	-	-	-	-	-	180	-	(180)	-
Revaluation	252,939	208,135	-	-	-	-	-	-	-	461,074
Adjustment on revaluation	-	(99,634)	-	-	-	-	-	-	-	(99,634)
Disposal/write off during the year	-	-	(30)	(64)	-	(1,957)	-	(2,078)	-	(4,129)
Balance as at the end of the year	1,567,198	1,383,434	143,010	186,870	18,276	149,740	4,569	7,088	8,808	3,468,993
Depreciation										
Balance as at the beginning of the year	-	51,397	115,473	163,214	15,787	120,173	4,569	3,937	-	474,550
Charge for the year	-	48,237	5,856	10,659	1,609	12,507	-	893	-	79,761
Adjustment on revaluation	-	(99,634)	-	-	-	-	-	-	-	(99,634)
On disposal during the year	-	-	(30)	(63)	-	(1,957)	-	(1,012)	-	(3,062)
Balance as at the end of the year	-	121,299	173,810	173,996	130,723	4,569	3,818	-	-	451,615
Net book value as at the end of the year	1,567,198	1,383,434	21,711	13,060	880	19,017	-	3,270	8,808	3,017,378

17 PROPERTY, PLANT AND EQUIPMENT CONTD.

17.3 Freehold land and freehold building of the Company and the Group 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 and Contractor's method as at 31st March 2024. The carrying values of the revalued assets and their corresponding values if measured at historical cost, net of depreciation, are as follows:

Property and location	Asset category	Method of valuation	Carrying value of revalued assets if measured at historical cost	Carrying value of revalued assets 2025	Carrying value of revalued assets 2024
Pegasus Reef Hotel, Wattala.	Building	Contractor's method	524,934	1,021,477	1,056,303
	Freehold land	Market approach	5,856	1,381,230	1,381,230
Yasodhara Mawatha, Matagoda, Wattala.	Freehold land	Market approach	13	38,018	38,018
Puwakwatta Road, Matagoda, Wattala.	Freehold land	Market approach	40	119,250	119,250
Beach Road, Palliyawatta, Wattala.	Freehold land	Market approach	15,068	28,700	28,700
Equity Hotels Limited, Giritale.	Building	Contractor's method	-	-	327,131

As at 31st March	Company		Group
	2025	2024	2024
17.4 Analysis of Capital work-in-progress			
Freehold building	2,204	6,850	6,850
Equipment	-	1,958	1,958
	2,204	8,808	8,808
17.5 Details of fully depreciated assets in property, plant and equipment			
Building	3,356	-	-
Plant and machinery	65,670	65,933	79,633
Equipment, furniture and fittings	234,985	170,915	195,257
Computer equipment	15,120	13,440	14,736
Motor vehicle	4,569	4,569	4,569
	323,700	254,857	294,195

NOTES TO THE FINANCIAL STATEMENTS

(All figures in Sri Lankan Rupees thousands)

17.6 Capitalisation of borrowing costs into property, plant and equipment

No borrowing costs were capitalised during the year (2024 - Nil) on property, plant and equipment of the Company and the Group.

17.7 Restrictions on title of property, plant and equipment

There are no restrictions on titles of the property, plant and equipment held by the Company except for the disclosed in note 21.

17.8 Property, plant and equipment pledged as security for liabilities

There are no items of property, plant and equipment of the Company pledged as security for liabilities as at the reporting date (2024 - Nil).

17.9 Temporarily idle property, plant and equipment

There are no temporarily idle property, plant or equipment of the Company as at 31st March 2025 and 31st March 2024, except for the Company's bare lands at Beach Road, Palliyawatta, Wattala and Yasodhara Mawatha, Matagoda, Wattala.

17.10 Impairment of property, plant and equipment

The Company has evaluated the potential impairment loss for property, plant and equipment as at the reporting date. Based on this assessment, no impairment provision is required for these assets (2024 - Nil).

For the year ended 31st March		Company		Group
		2025	2024	2024
18	RIGHT-OF-USE ASSETS			
	Cost			
	Balance as at the beginning of the year	-	-	7,623
	Balance as at the end of the year	-	-	7,623
	Accumulated amortisation			
	Balance as at the beginning of the year	-	-	725
	Amortisation for the year	-	-	258
	Balance as at the end of the year	-	-	983
	Carrying amount as at the end of the year	-	-	6,640

The land where the Equity Hotels Limited was located, in Giritale, Polonnaruwa, was on a 30 year lease from 01st January 2020 to 31st December 2049 with the option for renewal. During the lease period, the Subsidiary had the right to use the land to construct and operate a tourist hotel, approved and categorised by the Sri Lanka Tourist Board.

As at 31st March		Company		Group
		2025	2024	2024
19	INTANGIBLE ASSETS			
	Computer Software			
	Cost			
	Balance as at the beginning of the year	3,630	3,630	5,310
	Balance as at the end of the year	3,630	3,630	5,310
	Accumulated amortisation			
	Balance as at the beginning of the year	3,630	3,630	4,638
	Amortisation	-	-	336
	Balance as at the end of the year	3,630	3,630	4,974
	Carrying value as at the end of the year	-	-	336

As at 31st March		Company		Group
		2025	2024	2024
20	INVESTMENT IN SUBSIDIARY			
	Investment in subsidiary (note 20.2)	-	256,842	-
		-	256,842	-
20.1	Movement of investment in subsidiary			
	Balance as at the beginning of the year	256,842	136,436	-
	Investment during the year (note 20.3)	-	120,406	-
	Disposal during the year (note 20.4)	(256,842)	-	-
	Balance as at the end of the year	-	256,842	-

	As at 31st March 2025			As at 31st March 2024		
	No. of shares	Cost	Carrying value	No. of shares	Cost	Carrying value
20.2	Details of investment in subsidiary					
	Equity Hotels Limited	-	-	2,173,341	306,614	256,842
	Total investment in subsidiary	-	-		306,614	256,842

NOTES TO THE FINANCIAL STATEMENTS

(All figures in Sri Lankan Rupees thousands)

20.3 Investments to Equity Hotels Limited

In October 2023, Equity Hotels Limited, subsidiary of the Company carried out a rights issue of shares at a price of Rs. 123/65 per share in the proportion of sixty nine (69) new Ordinary Voting Share for every Eighty five (85) Ordinary Voting Shares of Equity Hotels Limited. The Company fully subscribed for its entitlement of 973,770 shares amounting to Rs.120,406,660/50. The costs amounting to Rs.503,595/- directly attributable to the Rights Issue were accounted for as a deduction from equity.

20.4 Disposal of Equity Hotels Limited

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

For the year ended 31st March		2025
20.4.1 Effects of disposal of subsidiary - Group		
Consideration received, net of transaction cost		235,008
Net assets derecognised (note 20.4.1 (a))		(228,364)
Gain on disposal		6,644
(a) Net assets derecognised		
Property, plant and equipment		335,797
Right-of-use assets		6,382
Inventories		8,005
Trade and other receivables		20,932
Tax receivable		292
Cash and cash equivalents		3,856
Deferred tax liability		(35,949)
Employee benefits		(3,341)
Lease liability		(12,008)
Trade and other payables		(95,602)
		228,364
20.4.2 Effects of disposal of subsidiary - Company		
Consideration received, net of transaction cost		235,008
Carrying value		(256,842)
Loss from disposal		(21,834)

As at 31st March	Company		Group
	2025	2024	2024
21 COMPENSATION RECEIVABLE			
Balance as at the beginning of the year	24,759	24,759	24,759
Balance as at the end of the year	24,759	24,759	24,759

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

In the financial year 2008/09, the Government of Sri Lanka acquired approximately 1,605 perches of land owned by the Company under section 38 provision (a) of the Land Acquisition Act, No.28 of 1964 by Gazette notification dated 14.05.2008 for the public purpose of building a fisheries harbour. The Company claimed compensation for 1,251 perches amounting to Rs. 563 Mn based on its market value, loss of potential economic value and possible disturbance to the operations of the hotel caused by this proposed fisheries harbour. The carrying value in the books of the Company of the said 1,251 perches at the time of acquisition was Rs. 189.5 Mn. The compensation claim is pending due to the ongoing litigation described in Note 34.3.

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

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

Based on the award of Rs.5,459,500/- for the land extent of 353.89 perches, the carrying value for the 1,251 perches of Rs.189.5 Mn was impaired to reflect the basis of the award for the 353.89 perches. Accordingly, a provision of Rs.145.2 Mn was made as an impairment on the compensation receivable for the year ended 31.03 2019.

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

NOTES TO THE FINANCIAL STATEMENTS

(All figures in Sri Lankan Rupees thousands)

As at 31st March		Company		Group
		2025	2024	2024
22	INVENTORIES			
	Food	8,638	9,192	10,993
	Beverage	4,895	6,894	8,250
	Engineering spares	7,050	7,321	7,734
	Linen	12,457	1,788	3,855
	Others	5,346	6,168	8,034
		38,386	31,363	38,866

As at 31st March		Company		Group
		2025	2024	2024
23	TRADE AND OTHER RECEIVABLES			
	Financial			
	Trade receivables (note 23.1)	110,579	85,184	98,591
	Other receivables	8,438	8,243	8,507
		119,017	93,427	107,098
	Non-financial			
	Advances and prepaid expenses	6,833	6,507	8,676
		6,833	6,507	8,676
		125,850	99,934	115,774

23.1	Trade receivables			
	Trade debtors	111,834	86,940	100,347
	Less: Provision for impairment (note 23.1.1)	(1,255)	(1,756)	(1,756)
		110,579	85,184	98,591

23.1.1	Impairment of trade receivables			
	Balance as at the beginning of the year	1,756	2,077	2,077
	Reversal during the year	(501)	(321)	(321)
	Balance as at the end of the year	1,255	1,756	1,756

As at 31st March	Company		Group
	2025	2024	2024
24 CASH AND CASH EQUIVALENTS			
Cash in hand	1,044	1,431	2,687
Cash at bank	233,543	34,028	36,532
Placements with banking and financial institutions	14,368	23,945	23,945
Total cash and cash equivalents for the cash flow statement purpose	248,955	59,404	63,164

As at 31st March	Company			
	2025		2024	
	Number of shares	Value of shares in thousands	Number of shares	Value of shares in thousands
25 STATED CAPITAL				
Issued and fully paid ordinary shares				
At the beginning of the year	42,210,470	751,549	33,768,376	591,149
Rights Issue during the year (note 25.1)	-	-	8,442,094	160,400
At the end of the year	42,210,470	751,549	42,210,470	751,549

The Stated Capital of the Company as at 31st March 2025 was Rs. 751,548,321/50 consisting of 42,210,470 Ordinary Shares.

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

NOTES TO THE FINANCIAL STATEMENTS

(All figures in Sri Lankan Rupees thousands)

25.1 Rights Issue of Shares during FY 2023/24

Pegasus Hotels of Ceylon PLC (the Company) issued 8,442,094 ordinary shares through a rights issue of one new ordinary share for every four shares held at Rs.19/00 per share and raised Rs. 160,399,786/-. These shares were listed on the Colombo Stock Exchange on 8th September 2023.

Right issue proceeds utilisation as at 31st March 2025 is as follows:

Objective as per Circular	Amount allocated as per Circular in Rs.	Proposed date of utilisation as per Circular	Amount allocated upon the receipt of proceeds in Rs. [A]	As a % of total proceeds	Amount utilised in the objective Rs. [B]	% utilised against allocation [B/A]	Clarification if not fully utilised including where the funds are invested
Subscribe to the rights issue of the subsidiary, Equity Hotels Limited (EHL)	120,399,786	Before 31st October 2023	120,399,786	75.06%	120,399,786	100.00%	N/A
Finance the capital expenditure of the Company	40,000,000	Before 31st December 2024	40,000,000	24.94%	26,123,735	65.31%	Note 25.1 (a)

- a) As outlined in the Rights Issue circular, the Company has fully completed the subscription to the rights issue of EHL. EHL fully utilised the funds allocated to partially settle and service its bank borrowings and related party borrowings. However, as of 31st March 2025, only 65.31% of the allocated proceeds for capital expenditure of PRH have been utilised, resulting in a total rights issue proceeds utilisation of 91.35%. The unutilised amount of Rs.13.9 Mn as of 31st March 2025 related to the refurbishment of restaurant and beach improvement projects. This amount was fully utilised by June 2025 whilst ensuring minimum disruptions to hotel operations.

25.2 Expenses on Rights Issue of Shares

The costs directly attributable to the Rights Issues were accounted for as a deduction from equity amounting to Rs. 2,624,871/- and Rs. 2,121,275/- for the Group and the Company, respectively for the year ended 31st March 2024.

As at 31st March	Company		Group
	2025	2024	2024
26 CAPITAL RESERVES			
Revaluation reserve (note 26.1)	1,583,788	1,583,788	1,768,058
Capital accretion reserve (note 26.2)	15,144	15,144	15,144
	1,598,932	1,598,932	1,783,202

26.1 Revaluation reserve

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

26.2 Capital accretion reserve

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

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

As at 31st March		Company		Group
		2025	2024	2024
27	REVENUE RESERVES			
	General reserve (Note 27.1)	176	176	176
	Retained earnings	(177,843)	(122,072)	(312,816)
		(177,667)	(121,896)	(312,640)

27.1 General reserve

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

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

NOTES TO THE FINANCIAL STATEMENTS

(All figures in Sri Lankan Rupees thousands)

As at 31st March		Company		Group
		2025	2024	2024
28	DEFERRED TAX LIABILITY			
	Balance as at the beginning of the year	610,414	507,450	525,632
	Recognised in Statement of Profit or Loss	7,986	(22,385)	(12,168)
	Recognised in Other Comprehensive Income	(1,970)	125,349	135,355
	Total Charge for the year (note 28.1)	6,016	102,964	123,187
	Balance as at the end of the year	616,430	610,414	648,819

For the year ended 31st March		Group		Company	
		2025	2024	2025	2024
28.1	Charge / (reversal) for the year				
	The amounts recognised in profit or loss:				
	Property, plant and equipment	(11,539)	(7,097)	(8,492)	(5,520)
	Employee benefits	(1,357)	215	(1,482)	290
	Tax losses	18,055	(5,424)	18,134	(17,251)
	Lease creditor on right of use assets	(84)	42	-	-
	Unrealised exchange loss	(335)	-	(324)	-
	Provision for bad debts	150	96	150	96
		4,890	(12,168)	7,986	(22,385)
	The amounts recognised in other comprehensive income:				
	Employee benefits	(1,330)	(2,967)	(1,970)	(2,344)
	Revaluation of property, plant and equipment	-	138,322	-	127,693
		(1,330)	135,355	(1,970)	125,349
	Charge for the year	3,560	123,187	6,016	102,964

As at 31st March	Company		Group
	2025	2024	2024
28.2 Deferred tax assets			
Tax effect on employee benefits	8,395	4,943	6,710
Tax effect on tax losses	128,990	147,124	186,572
Tax effect on lease creditor on right of use assets	-	-	3,518
Tax effect on unrealised exchange loss	324	-	-
Tax effect on provision for bad debts	377	527	527
Total deferred tax assets	138,086	152,594	197,327
28.3 Deferred tax liability			
Tax effect on property, plant and equipment	754,516	763,008	846,146
Total deferred tax liability	754,516	763,008	846,146
Net deferred tax liability	616,430	610,414	648,819

28.4 Tax on land Valuation

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

The Company has recognised a revaluation reserve on freehold land amounting to Rs. 1,546,220,950/- as at 31st March 2025, which is considered as the potential gain liable for taxation as of the Balance Sheet date on future realisation. Accordingly, the Company has recognised a deferred tax liability of Rs. 463,866,285/- pertaining to revaluation reserve on freehold lands which is computed at the corporate tax rate of 30%.

28.5 Use of Judgements and Estimates

Deferred tax asset/ Assessment of Recoverability

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

NOTES TO THE FINANCIAL STATEMENTS

(All figures in Sri Lankan Rupees thousands)

As at 31st March		Company		Group
		2025	2024	2024
29	EMPLOYEE BENEFITS			
29.1	The movement of the liability recognised in the Statement of Financial Position:			
	Balance as at the beginning of the year	16,476	9,629	13,193
	Provision for the year (note 29.2)	10,988	10,698	13,635
	Transfer in of liability	1,033	-	-
	Payments made during the year	(515)	(3,851)	(4,462)
	Balance as at the end of the year	27,982	16,476	22,366

For the year ended 31st March		Group		Company	
		2025	2024	2025	2024
29.2	Provision for the year				
	The amounts recognised in profit or loss:				
	Current service cost	2,715	1,304	2,492	1,104
	Interest cost	2,617	2,441	1,928	1,781
		5,332	3,745	4,420	2,885
	The amount recognised in other comprehensive income:				
	(Gain) / loss from actuarial valuation	4,432	9,890	6,568	7,813
		4,432	9,890	6,568	7,813
	Provision for the year	9,764	13,635	10,988	10,698

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

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

29. EMPLOYEE BENEFITS (CONTD.)

The principal assumptions used are:

- Rate of discount* 10.5% (2024 - 11.70% p.a.)
- Rate of pay increase** 10% (2024 - 10% p.a.)
- Retirement age 60 years (2024 - 60 years)
- Mortality A 67/70 mortality table, issued by the Institute of Actuaries, London was used.
- Withdrawal rate 5% for age up to 54 and zero thereafter (2024 - 5% for age up to 54 and zero thereafter)
- The Company is a going concern.

* The present value of the defined benefit plan is calculated using a discount rate determined by reference to the Treasury bond market rates. Accordingly, a decrease in the Treasury bond market rates will increase the plan liability.

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

29.3 Sensitivity analysis

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

As at 31st March	Company		Group
	2025	2024	2024
1% increase in discount rate	(1,772)	(1,054)	(1,423)
1% decrease in discount rate	1,988	1,186	1,594
1% increase in salary escalation rate	2,331	1,235	1,665
1% decrease in salary escalation rate	(2,102)	(1,114)	(1,509)

NOTES TO THE FINANCIAL STATEMENTS

(All figures in Sri Lankan Rupees thousands)

As at 31st March		Company		Group
		2025	2024	2024
29.4	Maturity analysis of the payment			
	Within next 12 months	3,934	2,578	3,160
	Between 1-2 years	2,283	1,968	2,396
	Between 2-5 years	7,307	1,993	2,472
	Between 5-10 years	10,118	6,814	9,802
	Beyond 10 years	4,340	3,123	4,536
	Total	27,982	16,476	22,366
	Weighted average duration (years) of defined benefit obligation	7.34	8.00	7.50

As at 31st March		Company		Group
		2025	2024	2024
30	LOANS AND BORROWINGS			
	Non-current liability	68,948	87,198	114,521
	Current liability	112,250	107,270	108,607
		181,198	194,468	223,128

As at 31st March		Company		Group
		2025	2024	2024
30.1	Movement of loans and borrowings			
	Balance as at the beginning of the year	194,468	131,672	247,887
	Loans and borrowings obtained during the year	233,000	94,000	94,000
	Loans and borrowings repayments during the year	(246,270)	(31,204)	(118,759)
	Balance as at the end of the year	181,198	194,468	223,128

Bank	Interest rate	Year of maturity	Repayment terms	2025		2024	
				Face value	Carrying amount	Face value	Carrying amount
30.2 Details of borrowings - Unsecured							
Company							
Commercial Bank of Ceylon PLC	AWPLR linked	2029	This loan was restructured at the end of moratorium in Dec 2022 after settling all interest accrued until Dec 2022. Then; Rs.180,000 x 24 + Rs.550,000 x 12 + Rs.1,100,000 x 12 + Rs.1,400,000 x 12 + Rs.1,482,500 x 24	76,500	70,530	76,500	73,800
Commercial Bank of Ceylon PLC	AWPLR linked	On demand	Short-term loan	49,000	49,000	49,000	49,000
Hatton National Bank PLC	Fixed rate	On demand	Short-term loan	45,000	45,000	-	-
Sampath Bank PLC	AWPLR linked	On demand	Short-term loan	-	-	45,000	45,000
Sampath Bank PLC	Fixed rate for 3 years then AWPLR linked	2026	59 equal monthly instalments of Rs. 833,300 from Dec 2021 and a final instalment of Rs. 835,300.	50,000	16,668	50,000	26,668
				220,500	181,198	220,500	194,468
Subsidiary							
Sampath Bank PLC	AWPLR linked	2025	This loan was restructured at the end of moratorium in Dec 2022 and was fully settled in Mar 2025.			41,830	28,660
						41,830	28,660
Group						262,330	223,128

NOTES TO THE FINANCIAL STATEMENTS

(All figures in Sri Lankan Rupees thousands)

As at 31st March		Group 2024
31	LEASE LIABILITY	
	Non-current liability	11,163
	Current liability	564
		11,727
	Lease liability pertained to the right of use of lease hold land of Equity Hotels Limited.	
31.1	Movement of lease liability	
	Balance as at the beginning of the year	11,867
	Payment of lease liability	(1,304)
	Interest expense charged to income statement	1,164
	Balance as at the end of the year	11,727
31.2	Lease commitments	
	Undiscounted contractual cash flows	
	Lease rentals payable within one year	909
	Lease rentals payable within one to five years	4,155
	Lease rentals payable after five years	34,237
	Total	39,301
31.3	Amounts recognised in profit or loss	
	Interest on lease liability	1,164
31.4	Amounts recognised in the Statement of cash flows	
	Total cash out flow on leases	1,304

As at 31st March	Company		Group
	2025	2024	2024
32 TRADE AND OTHER PAYABLES			
Financial			
Trade payables	106,639	78,729	95,060
Other payables	29,948	20,689	25,306
	136,587	99,418	120,366
Non financial			
Deposits and advances	18,387	21,761	23,850
Provisions and accrued expenses	47,951	27,616	32,432
	66,338	49,377	56,282
	202,925	148,795	176,648

33 FINANCIAL INSTRUMENTS

Overview of the Financial Risk Management

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

- Credit risk
- Market risk
- Liquidity risk

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

Risk management framework

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

(All figures in Sri Lankan Rupees thousands)

33.1 Credit risk

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

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

33.1.1 Exposure to credit risk

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

As at 31st March	Company		Group
	2025	2024	2024
Financial assets at amortized cost			
Compensation receivable (note 21)	24,759	24,759	24,759
Investment in fixed deposits	125,033	88,550	88,550
Trade and other receivables (note 23)	119,017	93,427	107,098
Cash and cash equivalents (note 24)	247,911	57,973	60,477
	516,720	264,709	280,884

33.1.1 a. Compensation receivable

The Compensation receivable is the amount due to the Company from the Government of Sri Lanka on the 1,605 perches of land acquired to construct a fisheries harbour. The details of this is explained in detail in Note 21.1. The compensation receivable is recorded in the financial statements at carrying amount less provision for impairment. However, the timing of the receipt will be subject to the finality of the litigation relating to land as mentioned in Note 34.3 and the appeal pending at the Land Acquisition Board of Review mentioned in Note 21.1. Therefore, a time estimation cannot be given for the compensation receivable.

b. Trade and other receivables

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

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

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

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

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

As at 31st March	Company		Group 2024
	2025	2024	
Corporate customers	9,893	14,945	16,352
Tour operators	92,189	62,677	73,799
Others	9,752	9,318	10,196
	111,834	86,940	100,347

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

As at 31st March	Company		Group 2024
	2025	2024	
1-30 days	55,056	43,861	51,306
31-90 days	43,159	33,771	39,295
91-120 days	3,357	3,054	3,297
121 days above	10,262	6,254	6,449
	111,834	86,940	100,347

A provision of Rs. 1.3 Mn has been made by the Company as impairment of trade receivables as at the year end (2024 - Rs. 1.8 Mn).

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

c. Cash and cash equivalents

Cash and cash equivalents of Rs. 247.9 Mn held by the Company as at the reporting date (2024 – Rs. 60.5 Mn and Rs. 58.0 Mn of the Group and the Company respectively) represents their maximum credit exposure on these assets. These are held with bank and financial institutions, which are rated AAA(Ika) to BBB-(Ika), based on Fitch Ratings.

NOTES TO THE FINANCIAL STATEMENTS

(All figures in Sri Lankan Rupees thousands)

d. Investment in fixed deposits

Investment in fixed deposits of Rs. 125.0 Mn held by the Company as at the reporting date (2024 – Rs. 88.6 Mn for the Group and the Company) represents their maximum credit exposure on these assets. These are held with bank and financial institutions, which are rated AA- (Ika), based on Fitch Ratings.

33.2 Liquidity risk

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

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

Company

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

31st March 2024	Carrying amount	Contractual cash flows					
		Total	2 months or less	2-12 months	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities							
Trade payables	78,729	78,729	78,729	-	-	-	-
Other payables	20,689	20,689	20,689	-	-	-	-
Amounts due to a related company	37,437	37,437	37,437	-	-	-	-
Loans and borrowings	194,468	231,664	98,897	20,502	27,760	70,481	14,024
	331,323	368,519	235,752	20,502	27,760	70,481	14,024

Group

31st March 2024	Carrying amount	Contractual cash flows					
		Total	2 months or less	2-12 months	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities							
Trade payables	95,060	95,060	95,060	-	-	-	-
Other payables	25,306	25,306	25,306	-	-	-	-
Amounts due to related companies	52,855	52,855	52,855	-	-	-	-
Loans and borrowings	223,128	272,204	99,564	24,185	33,135	93,525	21,795
Lease liability	11,727	39,301	144	765	1,039	3,116	34,237
	408,076	484,726	272,929	24,950	34,174	96,641	56,032

33.2.2 Management of liquidity risk

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

The Company maintain a portion of assets in highly liquid form; placements with Banking institutions in order to meet their contractual obligations during the normal course of operations. As at the reporting date, the Company's cash and cash equivalents amounted to Rs. 249.0 Mn (2024 - Rs. 63.2 Mn and Rs. 59.4 Mn of the Group and the Company respectively), and short-term deposits amounted to Rs. 125.0 Mn (2024- Rs. 88.6 Mn of the Group and the Company).

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

33.3 Market risk

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

33.3.1 Currency risk

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

(All figures in Sri Lankan Rupees thousands)

Exposure to currency risk

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

As at 31st March	Company		Group
	2025	2024	2024
Net statement of financial position exposure			
Cash and cash equivalents			
USD	23,796	18,281	21,547
EUR	11,919	7,098	8,283
GBP	1,051	3,011	3,051
Fixed deposits			
USD	427,718	299,729	299,729
EUR	7,285	7,088	7,088

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

As at 31st March	2025	2024
USD 1	292.35	295.25
EUR 1	313.74	317.88
GBP 1	377.18	370.59

Foreign currency sensitivity

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

Increase/(decrease) in profit/loss	Company		Group
	2025	2024	2024
USD strengthened by 1%	1,328	947	957
USD weakened by 1%	(1,328)	(947)	(957)
EUR strengthened by 1%	60	45	49
EUR weakened by 1%	(60)	(45)	(49)
GBP strengthened by 1%	4	11	11
GBP weakened by 1%	(4)	(11)	(11)

Increase/(decrease) in equity, net of tax	Company		Group
	2025	2024	2024
USD strengthened by 1%	930	663	670
USD weakened by 1%	(930)	(663)	(670)
EUR strengthened by 1%	42	32	34
EUR weakened by 1%	(42)	(32)	(34)
GBP strengthened by 1%	3	8	8
GBP weakened by 1%	(3)	(8)	(8)

33.3.2 Interest rate risk

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

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

Profile

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

As at 31st March	Company		Group
	2025	2024	2024
Variable rate instruments			
Financial assets - Cash at Bank	233,543	34,028	36,532
Financial liabilities - Loans and borrowings	(136,198)	(167,800)	(196,460)
	97,345	(133,772)	(159,928)
Fixed rate instruments			
Financial assets - Investment in fixed deposits	139,401	88,550	88,550
Financial liabilities - Loans and borrowings	(45,000)	(26,668)	(26,668)
	94,401	61,882	61,882
	191,746	(71,890)	(98,046)

NOTES TO THE FINANCIAL STATEMENTS

(All figures in Sri Lankan Rupees thousands)

Cash flow sensitivity analysis for variable rate instruments.

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

	Profit / (loss)			
	Company		Group	
	Increase by 1%	Decrease by 1%	Increase by 1%	Decrease by 1%
As at 31st March 2025				
Variable rate instruments	973	(973)		
As at 31st March 2024				
Variable rate instruments	(1,338)	1,338	(1,599)	1,599

33.4 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 may issue new shares, conduct rights issues or buy back of shares.

As at 31st March	Company		Group
	2025	2024	2024
Loans and borrowings	181,198	194,468	223,128
Total equity	2,172,814	2,228,585	2,222,111
Debt/ equity (%)	8.34	8.73	10.04

33.5 Accounting classifications and fair values

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

33.6 Fair value vs carrying amounts
Company

As at 31st March 2025	Mandatory FVTPL and other	Financial assets at amortised cost	Other financial liabilities	Total carrying amount	Fair value
Compensation receivable	-	24,759	-	24,759	24,759
Investment in fixed deposits	-	125,033	-	125,033	125,033
Trade and other receivables	-	119,017	-	119,017	119,017
Cash and cash equivalents	-	248,955	-	248,955	248,955
	-	517,764	-	517,764	517,764
Loans and borrowings	-	-	181,198	181,198	181,198
Trade and other payables	-	-	136,587	136,587	136,587
	-	-	317,785	317,785	317,785
As at 31st March 2024	Mandatory FVTPL and other	Financial assets at amortised cost	Other financial liabilities	Total carrying amount	Fair value
Compensation receivable	-	24,759	-	24,759	24,759
Investment in fixed deposits	-	88,550	-	88,550	88,550
Trade and other receivables	-	93,427	-	93,427	93,427
Cash and cash equivalents	-	59,404	-	59,404	59,404
	-	266,140	-	266,140	266,140
Loans and borrowings	-	-	194,468	194,468	194,468
Trade and other payables	-	-	99,418	99,418	99,418
Amounts due to related companies	-	-	37,437	37,437	37,437
	-	-	331,323	331,323	331,323

NOTES TO THE FINANCIAL STATEMENTS

(All figures in Sri Lankan Rupees thousands)

33.7 Fair value hierarchy

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

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

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

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

Company	Level 1	Level 2	Level 3	Total
31st March 2025				
Property, plant and equipment - Land and Buildings	-	-	2,588,675	2,588,675
	-	-	2,588,675	2,588,675
31st March 2024				
Property, plant and equipment - Land and Buildings	-	-	2,623,501	2,623,501
	-	-	2,623,501	2,623,501

There were no transfers between Level 1, Level 2 and Level 3 during the financial period under review (2024 - Nil).

Measurement of fair values

Valuation techniques and significant unobservable inputs

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

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

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

Significant unobservable inputs presented below are based on the professional valuation performed as at 31st March 2024.

Company	Location	Valuation technique	Significant Unobservable Inputs	Interrelationship between Key Unobservable Inputs and Fair Value Measurements
---------	----------	---------------------	---------------------------------	---

Lands

<ul style="list-style-type: none"> • Pegasus Reef Hotel • Yasodhara Mawatha, Matagoda • Puwakwatta Road, Matagoda • Beach Road, Palliyawatta 	Wattala	<p>Market approach: This method considers the selling price of a similar property within a reasonably recent period of time in determining the fair value of property being revalued. This involves evaluation of recent active market prices of similar assets making appropriate adjustments for difference in size, nature and location of the property.</p>	<p>Market value of land (Price per Perch).</p> <p>Valuer has used a range of prices for respective lands based on their recently transacted values.</p> <p>Current market conditions and the comparable property prices have been used for the valuation.</p> <p>Market price per perch range between Rs. 750,000/- to Rs. 1,500,000/-.</p>	The estimated fair value would increase/ (decrease) if – Market value per perch was higher/(lower)
--	---------	--	---	--

Buildings

Pegasus Reef Hotel	Wattala	<p>Contractor's method: The contractor's method works on the basis that a property's value can be equated to its cost. Valuer assesses the cost of the building if it would have constructed in the current year, and deduct margin for usage of the property-based on the respective year of construction.</p>	<p>Construction cost per square feet of a building. Rs. 6,000/- to Rs. 19,000/-.</p>	Cost per square feet was higher/ (lower)
Equity Hotels Limited	Giritale		<p>Depreciation rate for the usage of assets 42.5% - 50%.</p> <p>Capitalisation rate of return at 13%.</p>	<p>Depreciation rate for usage lower/ (higher)</p> <p>Capitalisation Rate of return lower / (higher)</p>

Sensitivity Analysis

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

Sensitivity analysis presented below is based on the professional valuation performed as at 31st March 2024.

	Group		Company	
	Increase	Decrease	Increase	Decrease
Price per Perch - Rs.10,000/- movement	19,780	(19,791)	19,644	(19,644)
Construction cost per square feet - Rs.1,000/- movement	88,958	(88,949)	66,143	(66,143)
Capitalisation Rate - 1% movement	(20,670)	23,263	-	-
Depreciation rate - 5% movement	(134,266)	134,280	(105,630)	105,630

NOTES TO THE FINANCIAL STATEMENTS

(All figures in Sri Lankan Rupees thousands)

34 COMMITMENTS AND CONTINGENCIES

34.1 Capital commitments

The Company does not have significant capital commitments as at the reporting date (2024- Rs. Rs.8,891,170/-).

34.2 Financial commitments

The Company does not have significant financial commitments as at the reporting date (2024 - Nil).

34.3 Contingent liabilities

- (a) An individual has appealed to the Supreme Court of Sri Lanka after having received a judgement against him in the Civil Appellate Court. This individual is claiming declaratory title as co-owner to 127.5 Perches of land which falls within the 1,251 perches of land acquired by the Government for a fisheries harbour project as described in Note 21.1. Since the crystallisation of the contingent liability is subject to this appeal, subsequent value determination of the claim by the Government valuer and a further appeal to the Land Acquisition Board of Review, the said contingent liability cannot be quantified.
- (b) Letter of guarantee obtained from bank for utilities amounted to Rs.330,000/- (2024: Rs.330,000/-).

35 RELATED PARTY TRANSACTIONS

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

35.1 Parent and ultimate controlling entity

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

35.2 Transactions with Key Management Personnel (KMP)

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

For the year ended 31st March	Group		Company	
	2025	2024	2025	2024
35.2.1 Key management personnel compensation				
Short-term employee benefits	8,835	9,039	3,317	2,771
Post-employment benefits	-	-	-	-
Termination benefits	-	-	-	-
Non-cash benefits	-	-	-	-
Other long-term benefits	-	-	-	-
	8,835	9,039	3,317	2,771

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

35.3 Group entities

Name of the subsidiary	% equity interest	
	2025	2024
Equity Hotels Limited	-	99.99%

35.4 Transactions with Related Companies

Name and the nature of the relationship	Nature of transactions	Value of the transaction			
		Group		Company	
		2025	2024	2025	2024
Parent entity					
Carson Cumberbatch PLC	Short term advances received/ (settled), net	(8,500)	(14,000)	-	-
	Proceeds from rights issues of shares	-	-	-	144,334
Subsidiary					
Equity Hotels Limited	Subscriptions for rights issues	-	-	-	120,406
Fellow subsidiaries					
Carsons Management services (Private) Limited (CMSL)	Support service fees	10,299	10,326	9,039	8,660
Lion Brewery (Ceylon) PLC	Providing hotel services	9,759	8,554	9,759	8,554
	Beer purchases	8,782	5,935	6,785	4,741
Luxury Brands (Private) Limited	Spirits purchases	4,799	6,203	3,369	4,868

Short-term advances obtained by the subsidiary, Equity Hotels Limited from Carson Cumberbatch PLC were on interest free basis and payable on demand. The outstanding balance as at 31st March 2024 was given in note 35.5 to the financial statements.

Support service fee and other expenses charged are based on the respective services provided by CMSL as per the service agreements signed between the companies.

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

Related facility	Value	
	2025	2024
Commercial Bank- Term Loan	76,500	76,500
Commercial Bank- STL	50,000	50,000
Hatton National Bank- STL	50,000	50,000
	176,500	176,500

NOTES TO THE FINANCIAL STATEMENTS

(All figures in Sri Lankan Rupees thousands)

As at 31st March	Company		Group
	2025	2024	2024
35.5 Amounts due to related companies			
Carson Cumberbatch PLC	-	-	8,500
Carsons Management Services (Private) Limited	-	37,437	44,355
	-	37,437	52,855

36 COMPARATIVE FIGURES

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

37 GOING CONCERN ASSESSMENT

For the year ended 31 March 2025, the Company incurred a net loss of Rs. 51.3 Mn (2024 – Rs. 47.8 Mn), resulting in accumulated losses of Rs. 177.8 Mn (2024 – Rs 122.1 Mn). Nevertheless, the Company's financial position remained strong, with net assets of Rs. 2,172.8 Mn (2024 – Rs 2,228.6 Mn) and net current assets of Rs. 224.8 Mn (2024 – Rs. 12.6 Mn in net current liabilities) as at the reporting date. Further, cash and cash equivalents along with fixed deposits amounted to Rs. 374.0 Mn as at the reporting date, mainly due to improved operational results during the year and disposal proceeds of its subsidiary. Following a comprehensive review of revenue projections, profitability forecasts, and cash flow outlook, the Board of Directors remains confident in the Company's ability to meet its obligations as they become due.

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

38 DIRECTORS' RESPONSIBILITY

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

39 EVENTS AFTER THE REPORTING PERIOD

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

FIVE YEAR SUMMARY

(All figures in Sri Lankan Rupees thousands)

For the year ended	Group				
	2025	2024	2023	2022	2021
Operating Results					
Revenue	1,138,311	927,369	719,766	386,075	197,547
Profit / (loss) from operations	(34,577)	(74,391)	(138,557)	(142,413)	(206,126)
Net finance income / (cost)	(13,482)	(37,297)	(25,359)	(6,525)	(2,291)
Profit / (loss) before taxation	(41,415)	(111,688)	(163,916)	(214,453)	(258,189)
Income tax and deferred taxation	(4,890)	12,168	72,764	20,823	28,365
Profit / (loss) for the year	(46,305)	(99,520)	(91,152)	(193,630)	(229,824)
Other comprehensive income / (expense) for the year	(3,102)	315,829	(328,499)	407,903	326,983
Total comprehensive income / (expense) for the year	(49,407)	216,309	(419,651)	214,273	97,159

For the year ended / As at 31st March	Company	Group			
	2025	2024	2023	2022	2021
Shareholders' Funds					
Stated capital	751,549	751,549	591,149	515,170	515,170
Reserves	1,421,265	1,470,562	1,256,761	1,680,951	1,466,588
Shareholders' funds	2,172,814	2,222,111	1,847,910	2,196,121	1,981,758
Assets Employed					
Property, plant and equipment	2,636,579	3,017,378	2,619,599	2,699,883	2,301,175
Right-of-use assets	-	6,640	6,898	5,624	5,826
Intangible assets	-	336	672	1,008	66,859
Compensation receivable	24,759	24,759	24,759	24,759	24,759
Non current assets	2,661,338	3,049,113	2,651,928	2,731,274	2,398,619
Current assets	540,011	308,541	170,275	211,140	207,252
Current liabilities	(315,175)	(338,674)	(220,576)	(276,831)	(207,274)
Working capital	224,836	(30,133)	(50,301)	(65,691)	(22)
Assets employed	2,886,174	3,018,980	2,601,627	2,665,583	2,398,597
Non-current liabilities					
Loans and borrowings	(68,948)	(114,521)	(203,926)	(176,982)	(157,185)
Lease liability	-	(11,163)	(10,966)	(9,505)	(9,204)
Deferred tax liability	(616,430)	(648,819)	(525,632)	(267,246)	(221,666)
Employee benefits	(27,982)	(22,366)	(13,193)	(15,729)	(28,784)
Total non-current liabilities	(713,360)	(796,869)	(753,717)	(469,462)	(416,839)
Net assets	2,172,814	2,222,111	1,847,910	2,196,121	1,981,758

FIVE YEAR SUMMARY

For the year ended / As at 31st March	Company	Group			
	2025	2024	2023	2022	2021
Cash Flow Statement					
Net cash inflows / (outflows) from;					
Operating activities	44,127	(7,665)	(30,745)	(53,980)	(115,327)
Investing activities	179,060	(59,450)	22,279	81,065	(14,693)
Financing activities	(32,555)	91,837	(25,368)	42,086	37,753
Net increase / (decrease) in cash and cash equivalents	190,632	24,722	(33,834)	69,171	(92,267)
Capital expenditure	28,555	17,533	8,375	25,363	1,185
Profitability Ratios					
Net profit / (loss) margin (%)	(5)	(11)	(13)	(50)	(116)
Return on shareholders' funds (%)*	(2)	(4)	(5)	(9)	(12)
Liquidity Ratios					
Current ratio (times)	1.71	0.91	0.77	0.76	1.00
Debt equity (%)	8.34	10.04	13.41	13.95	12.90
Investor Ratios					
Earnings / (loss) per share (Rs.)	(1.10)	(2.58)	(2.82)	(6.37)	(7.56)
Dividend per share (Rs.)	-	-	-	-	-
Net assets per share (Rs.)	51.48	52.64	54.72	72.26	65.21
Market price per share (Rs.)	34.50	23.00	34.30	34.00	29.20
Dividend yield (%)	-	-	-	-	-
Dividend payout (%)	-	-	-	-	-
Hotel Operations					
Average occupancy (%) of the Group (Calculated based on the rooms available to sell)	61	47	29	32	13

Notes

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

STATEMENT OF VALUE ADDED

(All figures in Sri Lankan Rupees thousands)

For the year ended 31st March	2025	%	2024	%
Revenue	1,138,311		927,369	
Other income including finance income	18,078		17,243	
Cost of materials and services bought from outside	(802,724)		(720,266)	
	353,665		224,346	
Distributed as follows:				
To employees				
as remuneration	291,861	83	208,819	93
To government				
as income tax	-	-	-	-
To providers of capital				
as interest and other charges	23,717	7	47,454	21
Retained in the business				
as deferred taxation	4,890	1	(12,168)	(5)
as depreciation	79,502	22	79,761	35
as profit / (loss) for the year	(46,305)	(13)	(99,520)	(44)
	353,665	100	224,346	100

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

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

For the year ended 31st March	Group		Company	
	2025	2024	2025	2024
Income tax	-	-	-	-
Value Added Tax (VAT)	165,758	131,006	138,867	108,536
Social Security Contribution Levy (SSCL)	30,525	22,077	25,755	20,837
Tourism Development Levy (TDL)	11,870	9,670	10,122	8,084
	208,153	162,753	174,744	137,457

INFORMATION TO SHAREHOLDERS AND INVESTORS

1 STOCK EXCHANGE LISTING

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

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

2 ORDINARY SHAREHOLDERS

As at 31st March	2025	2024
Number of Shareholders	2,989	3,019

3 FREQUENCY DISTRIBUTION OF SHAREHOLDINGS AS AT 31ST MARCH 2025

Distribution of Shares	Residents			Non-Residents			Total		
	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%
1-1,000	2,600	311,355	0.74	17	3,490	0.01	2,617	314,845	0.75
1001-10,000	292	1,005,203	2.38	4	15,536	0.04	296	1,020,739	2.42
10,001-100,000	70	1,683,261	3.99	1	55,000	0.13	71	1,738,261	4.12
100,001-1,000,000	4	1,154,008	2.73	-	-	0.00	4	1,154,008	2.73
Above 1,000,000	1	37,982,617	89.98	-	-	0.00	1	37,982,617	89.98
Grand Total	2,967	42,136,444	99.82	22	74,026	0.18	2,989	42,210,470	100.00

4 CATEGORIES OF SHAREHOLDERS AS AT 31ST MARCH 2025

	No. of Shareholders	No. of Shares	%
Individual	2,908	3,578,819	8.48
Institutions	81	38,631,651	91.52
Total	2,989	42,210,470	100.00

5 The number of shares held by non-residents as at 31st March 2025 was 74,026 (2024 - 160,353) which amounts to 0.18% (2024 - 0.38%) of the total number of shares in issue.

6 PUBLIC HOLDING

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

The Company's Public Holding as at 31st March 2025

Float adjusted Market Capitalisation	Rs.145,917,373.74
Percentage of ordinary shares held by the public	10.02%
Number of Public Shareholders	2,987

7 DIVIDENDS

There were no distributions made during the financial year.

8 MARKET PERFORMANCE - ORDINARY SHARES

For the year ended 31st March	2025	2024
Last traded price (Rs.)	34.50	23.00
Highest (Rs.)	44.90	34.40
Lowest (Rs.)	23.00	21.00
Value of shares traded (Rs.)	134,908,182	28,714,320
No. of shares traded	4,037,685	1,122,897
Volume of transactions (Nos.)	5,608	3,505

9 MARKET CAPITALISATION

Market capitalisation of the Company which is the number of ordinary shares in issue multiplied by the market value of an ordinary share was Rs. 1,456,261,215/00 as at 31st March 2025 (2024 - Rs. 970,840,810/00).

10 VALUE OF THE PROPERTIES - LAND AND BUILDING

Location	2025 Land extent (in hectares)	2025 Number of Buildings	Market value 2025 Rs. '000	Date of professional valuation
Pegasus Reef Hotel, Wattala	5.47	1	2,402,707	31st March 2024
Yasodhara Mawatha, Matagoda, Wattala	0.13	0	38,018	31st March 2024
Puwakwatta Road, Matagoda, Wattala	0.20	0	119,250	31st March 2024
Beach Road, Palliyawatta, Wattala	0.07	0	28,700	31st March 2024

11 NUMBER OF EMPLOYEES

The number of employees of the Company as at the end of the year was 219 (2024 - 192 and 238 for the Company and the Group respectively).

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the 59th Annual General Meeting of **Pegasus Hotels of Ceylon PLC** will be held on **Wednesday, 23rd July 2025 at 9.30 a.m.** at the "Lavender Hall", BMICH International Convention & Exhibition Center, Bauddaloka Mawatha, Colombo 07, Sri Lanka for the following purposes:

1. To consider the Annual Report of the Board of Directors including the Financial Statements of the Company for the financial year ended 31st March 2025, together with the report of the Auditors thereon.
2. To re-elect as a Director Mr. S. Marimuthu, who has been appointed to the Board as an Independent Non-Executive Director since the last Annual General Meeting, in terms of Article 68 of the Articles of Association of the Company.
3. To re-elect as a Director Mr. D. R. P. Goonetilleke, who has been appointed to the Board as a Non-Executive Director since the last Annual General Meeting, in terms of Article 68 of the Articles of Association of the Company.
4. To re-elect as a Director Mr. A. S. Amaratunga, who has been appointed to the Board as an Independent Non-Executive Director since the last Annual General Meeting, in terms of Article 68 of the Articles of Association of the Company.
5. To re-elect Mr. M. T. L. Elias - Independent Non-Executive Director, who retires by rotation in terms of Articles 72, 73 and 74 of the Articles of Association of the Company.
6. To re-appoint Mr. M. Dayananda - Non-Executive Director, as a Director of the Company who is over seventy years of age and to consider and if deemed fit to pass the following resolution:
"IT IS HEREBY RESOLVED that the age limit stipulated in Section 210 of the Companies Act, No. 07 of 2007 shall not be applicable to Mr. M. Dayananda who is 79 years of age and that he be re-appointed as a Director of the Company from the conclusion of the Annual General Meeting for a further period of one year."
7. To re-appoint Messrs. KPMG, Chartered Accountants as Auditors of the Company as set out in Section 154(1) of the Companies Act, No. 07 of 2007 and to authorise the Directors to determine their remuneration.

By Order of the Board

(Sgd)

K. D. De Silva (Mrs.)

Director

Carsons Management Services (Private) Limited
Secretaries

Colombo
25th June 2025

NOTICE OF MEETING

Notes:

1. The Annual Report 2024/25 and the Notice convening the Annual General Meeting (AGM) will be made available on the Colombo Stock Exchange website www.cse.lk and on the Group's website www.carsoncumberbatch.com
2. A member is entitled to appoint a proxy to attend and vote instead of him/herself. A proxy need not be a member of the Company. A Form of Proxy accompanies this Notice.
3. The completed Form of Proxy must be submitted to the Company **not later than 4.45 p.m. on 21st July 2025**,
 - via email to PEGAGM2025@carcumb.com, or
 - via WhatsApp to mobile no. +94 764 765 463 or +94 767 410 683, or
 - by hand or post to the registered office of the Company, No. 61, Janadhipathi Mawatha, Colombo 1.
4. A person representing a Corporation is required to submit a certified copy of the resolution authorising him/her to act as the representative of the Corporation. A representative need not be a member.
5. The transfer books of the Company will remain open.
6. Security Check - We shall be obliged if the shareholders/proxies attending the Annual General Meeting, produce their National Identity Card to the security personnel stationed at the entrance lobby.

NOTES

A series of horizontal dotted lines for writing notes.

FORM OF PROXY

I/We
ofbeing *a
 Shareholder / Shareholders of PEGASUS HOTELS OF CEYLON PLC hereby appoint
 ofbearing
 NIC No./ Passport No. or failing him/her.

Mahendra Dayananda or failing him,
 Krishna Selvanathan or failing him,
 Michael Timothy Leon Elias or failing him,
 Sivanandan Marimuthu or failing him,
 Dilukshan Ranil Pieris Goonetilleke or failing him,
 Amitha Saktha Amaratunga or failing him,
 Vibath Wijesinghe

as *my/our proxy to attend at the 59th Annual General Meeting of the Company to be held on **Wednesday, 23rd July 2025 at 9.30 a.m.**, at the "Lavender Hall", BMICH International Convention & Exhibition Center, Bauddaloka Mawatha, Colombo 07, Sri Lanka and at any adjournment thereof and at every poll which may be taken in consequence thereof.

	For	Against
1. To re-elect Mr. S. Marimuthu who has been appointed to the Board as an Independent Non-Executive Director since the last Annual General Meeting, in terms of Article 68 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
2. To re-elect Mr. D. R. P. Goonetilleke who has been appointed to the Board as a Non-Executive Director since the last Annual General Meeting, in terms of Article 68 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-elect Mr. A. S. Amaratunga who has been appointed to the Board as an Independent Non-Executive Director since the last Annual General Meeting, in terms of Article 68 of the Articles of Association of the Company	<input type="checkbox"/>	<input type="checkbox"/>
4. To re-elect Mr. M. T. L. Elias – Independent Non-Executive Director who retires by rotation in terms of Articles 72, 73 and 74 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
5. To re-appoint Mr. M. Dayananda- Non-Executive Director who is over seventy years of age as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
6. To re-appoint Messrs. KPMG, Chartered Accountants as Auditors of the Company as set out in Section 154 (1) of the Companies Act, No.07 of 2007 and to authorise the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>

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

.....
 Signature /s

Note:

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

FORM OF PROXY

INSTRUCTIONS AS TO COMPLETION

1. Kindly perfect the form of proxy after filling in legibly your full name and address, by signing in the space provided. Please fill in the date of signature.
2. If you wish to appoint a person other than the Directors as your proxy, please insert the relevant details in the space provided overleaf.
3. In terms of Article 54 of the Articles of Association of the Company:
 - (1) Any Shareholder entitled to attend and vote at a meeting shall be entitled to appoint another person (whether a Shareholder or not) as his proxy to attend and vote instead of him. A proxy so appointed shall have the same right as the Shareholder to vote on a show of hands or on a poll and to speak at the meeting.
 - (2) An instrument appointing a proxy shall be in writing and:
 - (i) in the case of an individual shall be signed by the appointer or by his attorney;
and
 - (ii) in the case of a corporation shall be either under its common seal or signed by its attorney or by an officer on behalf of the corporation.

The Directors may, but shall not be bound to, require evidence of the authority of any such attorney or officer.

4. In terms of Article 50 of the Articles of Association of the Company:

Where there are joint registered holders of any Share any one (01) of such persons may vote and be reckoned in a quorum at any meeting either personally or by proxy as if he were solely entitled thereto and if more than one (01) of such joint holders be so present at any meeting one (01) of such persons so present whose name stands first in the Register in respect of such Share shall alone be entitled to vote in respect thereof. Several executors or administrators of a deceased Shareholder in whose name any Share stands shall for the purpose of this Article be deemed joint holders thereof.
5. To be valid the completed Form of Proxy should be submitted to the Company not later than **4.45 p.m. on 21st July 2025**,
 - via email to PEGAGM2025@carcumb.com, or
 - via WhatsApp to mobile no. +94 764 765 463 or +94 767 410 683, or
 - by hand or post to the registered office of the Company, No. 61, Janadhipathi Mawatha, Colombo 1.
6. Shareholders could also appoint a member of the Board to act as their proxy if they so choose. The Shareholders who wish to appoint a Director as his/her/its proxy must forward the duly completed Form of Proxy clearly indicating their vote under each matter set out in the Form of Proxy and forward same to the Company.

Please fill in the following details:

Name & contact no. of Shareholder :

CDS Account No. / Folio No. :

Name & contact no. of Proxyholder :

NIC No. of the Proxyholder :

CORPORATE INFORMATION

Name of the Company

Pegasus Hotels of Ceylon PLC
(A Carson Cumberbatch Company)

Company Registration Number

PQ 40

Legal Form

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

Parent Company and Controlling Entity

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

Directors

Mr. M. Dayananda (Chairman)
Mr. K. Selvanathan
Mr. M. T. L. Elias
Mr. S. Marimuthu - Appointed w.e.f. 31st July 2024
Mr. D. R. P. Goonetilleke - Appointed w.e.f. 31st July 2024
Mr. A. S. Amaratunga - Appointed w.e.f. 25th September 2024
Mr. V. R. Wijesinghe

Audit Committee

Mr. A. S. Amaratunga (Chairman) - Independent Non-Executive
Mr. S. Marimuthu - Independent Non-Executive
Mr. D. R. P. Goonetilleke - Non-Executive

Remuneration Committee

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

Nominations and Governance Committee

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

Related Party Transactions Review Committee

Mr. A. S. Amaratunga (Chairman) - Independent Non-Executive
Mr. S. Marimuthu - Independent Non-Executive
Mr. D. R. P. Goonetilleke - Non-Executive

Place of Business

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

Bankers

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

Auditors

Messrs. KPMG
Chartered Accountants
No.32A, Sir Mohamed Macan Marker Mawatha,
Colombo 03, Sri Lanka.
Tel: +94 11 5426 426
Fax:+94 11 2445 872

Managers & Secretaries

Carsons Management Services (Private) Limited
61, Janadhipathi Mawatha,
Colombo 01, Sri Lanka.
Tel : +94 11 2039 200
Fax: +94 11 2039 300

Registered Office

61, Janadhipathi Mawatha,
Colombo 01, Sri Lanka.
Tel : +94 11 2039 200
Fax: +94 11 2039 300

Committee of Management - Pegasus Hotels of Ceylon PLC

Mr. Renuke Coswatte- General Manager
Mr. Kapila Gunathilaka - Head of Finance
Mr. Chaminda Perera – Senior Manager – Business Development
Mr. Anthony Fernando – Front Office Manager
Mr. Sunimal Perera - Executive Housekeeper
Mr. Charith Ranasinghe - Food & Beverage Manager
Mr. Malith Bandara - Chief Engineer
Mr. Aslam Khair - Manager - Human Resources

Hotel Website

www.pegasusreefhotel.com

Corporate Website

www.carsoncumberbatch.com



PEGASUS REEF

the city resort that's just right!

www.pegasusreefhotel.com