# citrus

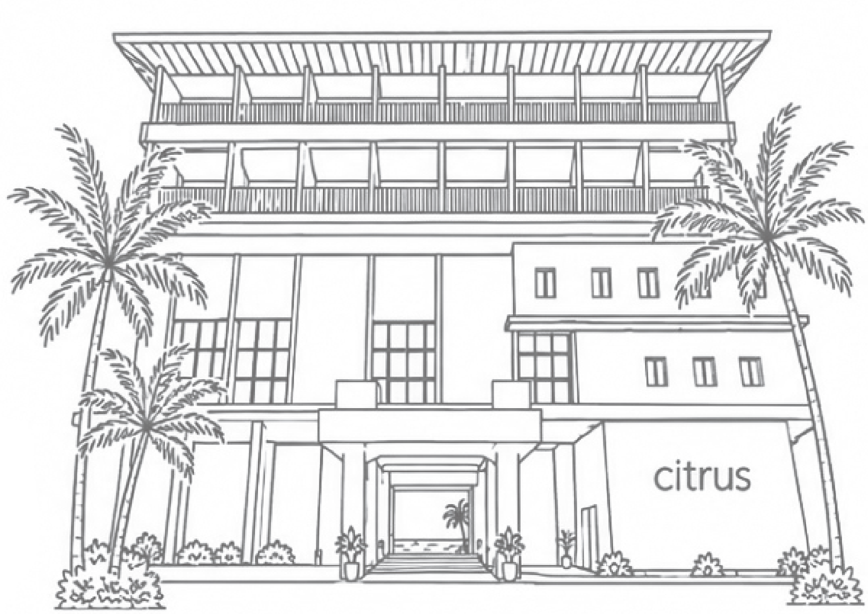
Hikkaduwa Beach Resort PLC

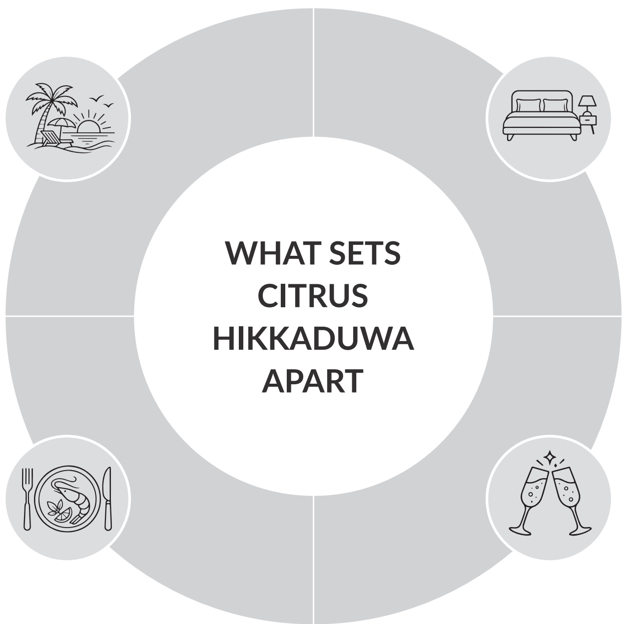
Annual Report 2025/26

# Contents

# About Us

**Hikkaduwa Beach Resort PLC owns and operates Citrus Hikkaduwa, a beachfront hotel located at the heart of one of Sri Lanka's most popular coastal tourism destinations. Offering 90 rooms across three accommodation categories, the property is positioned around the distinctive character of Hikkaduwa, bringing together sun, sea, dining and a vibrant social atmosphere. The Resort's location provides convenient access to Hikkaduwa's beaches, shallow fringing reef, water-based activities and nightlife, enabling guests to experience the wider destination as an integral part of their stay. Hikkaduwa Beach Resort PLC also holds Waskaduwa Beach Resort PLC as a subsidiary, extending the Group's presence across two distinct leisure destinations and hospitality propositions.**




**AUTHENTIC AND VIBRANT EXPERIENCE**

Citrus Hikkaduwa brings together the destination's distinctive sun-and-sea appeal, beachfront setting and lively social atmosphere.

**ACCOMMODATION FOR DIFFERENT TRAVELLER SEGMENTS**

The hotel offers three room categories with a choice of views and price points, enabling it to cater to a broad mix of international and local travellers, couples, families and groups.

**DINING ALIGNED WITH THE DESTINATION**

The hotel's restaurant and bar offering combines local and international cuisine with seafood, ocean views and a relaxed setting that complements Hikkaduwa's vibrant beach culture.

**A DIVERSE LEISURE AND EVENTS PROPOSITION**

Beyond accommodation, Citrus Hikkaduwa offers access to marine and adventure activities, wellness facilities, entertainment, social celebrations and corporate events, enabling the property to serve multiple guest segments.

# Performance Highlights

| | | 2025/26 | 2024/25 | Change % |
|---|---|---|---|---|
| **Earnings Highlights and Ratios** | | | | |
| Revenue | Rs. mn | **1,878.72** | 1,816.87 | 3% |
| Earnings before interest and tax | Rs. mn | **116.29** | 203.79 | (43%) |
| Loss before tax | Rs. mn | **(234.84)** | (152.68) | (54%) |
| Income tax reversal | Rs. mn | **137.43** | 9.94 | 1,283% |
| Loss after tax | Rs. mn | **(97.41)** | (142.74) | 32% |
| Loss attributable to owners of the parent | Rs. mn | **(14.67)** | (119.53) | 88% |
| Dividends | Rs. mn | **–** | – | – |
| Earnings per share (basic) | Rs. | **(0.03)** | (0.23) | 88% |
| Return on Assets (ROA) | % | **(0.91%)** | (1.33%) | 32% |
| Return on Capital Employed (ROCE) | % | **1.21%** | 2.14% | (43%) |
| **Financial Position Highlights** | | | | |
| Total Assets | Rs. mn | **10,681.78** | 10,764.80 | (0.77%) |
| Total Borrowings | Rs. mn | **2,873.45** | 3,046.39 | (6%) |
| Total Equity | Rs. mn | **5,663.12** | 5,481.99 | 3% |
| Stated Capital | Rs. mn | **5,526.20** | 5,526.20 | – |
| Gearing | % | **33.66%** | 35.72% | (6%) |
| Debt/Equity | % | **50.74%** | 55.57% | (9%) |
| Equity-to-Asset ratio | % | **53.02%** | 50.90% | 4% |
| Net assets per share | Rs. | **8.53** | 8.37 | 2% |
| Current ratio | No. of times | **0.36** | 0.46 | (23%) |
| Quick asset ratio | No. of times | **0.31** | 0.42 | (27%) |
| No. of Shares in issue | No. mn | **542.66** | 542.66 | – |
| **Market / Shareholder Information** | | | | |
| Market value per share | Rs. | **3.70** | 3.30 | 12% |
| Dividend per share | Rs. | **–** | – | – |
| Market capitalisation | Rs. mn | **2,007.86** | 1,790.79 | 12% |
| Price earnings ratio | No. of times | **N/M** | N/M | N/C |
| Dividend yield ratio | % | **–** | – | – |

N/C – Not Comparable
N/M – Not Meaningful

# Chairman's Message

The year under review demonstrated both the opportunity and the fragility inherent in Sri Lanka's tourism recovery. Record arrivals and stronger international recognition supported tourism demand, although global geopolitical tensions, rising costs and increasingly value-conscious guests continued to temper industry performance. Within this environment, the Board and management remained focused on strengthening commercial discipline, developing Citrus Hikkaduwa's distinctive destination-led proposition and building the foundations for sustainable value creation. It is my pleasure to present the Annual Report and Audited Financial Statements of Hikkaduwa Beach Resort PLC for the financial year ended 31 March 2026.

## PERFORMANCE OVERVIEW

The Group recorded revenue growth of 3% to Rs. 1.88 billion, while gross profit increased by 6%. Citrus Hikkaduwa achieved average occupancy of 71%, ahead of the budgeted level of 60%, supported by effective pricing and revenue management. However, higher administrative and other operating expenses reduced operating profit to Rs. 116.29 million. Lower finance costs, a higher share of profit from the Group's associate and a tax reversal partly mitigated the pressure, reducing the loss after tax to Rs. 97.4 million from Rs. 142.7 million in the previous year. While the reduction in the loss after tax is encouraging, the underlying operating performance reinforces the need to improve margins, strengthen productivity and generate greater value from the Group's asset base. These considerations remain central to our strategic direction and the Board's oversight of the business.

## OPERATING CONTEXT

Sri Lanka's economy continued to demonstrate signs of stability during 2025. GDP expanded by approximately 5%, inflation remained contained and lower interest rates supported liquidity and private-sector activity. The Sri Lankan rupee also remained broadly stable against the US dollar. Collectively, these developments provided a more constructive macroeconomic environment and helped restore a degree of business and consumer confidence.

The tourism year began with considerable promise. Sri Lanka welcomed a record 2.36 million visitors in 2025, representing growth of 15% over the previous year. However, the escalation of geopolitical tensions in the Middle East during the first quarter of 2026 disrupted important transit routes and affected travel sentiment. Airspace restrictions, higher fuel costs and operational disruptions placed pressure on international connectivity, while travellers became increasingly sensitive to price and value.

Tourism earnings increased only marginally to approximately USD 3.22 billion from USD 3.17 billion, despite the strong growth in arrivals. This divergence indicates that visitor expenditure retained within the formal tourism sector did not increase at the same pace. As a result, higher arrivals did not translate proportionately into benefits for organised hotel operators, employees, local suppliers and communities. Sri Lanka must therefore focus on increasing visitor expenditure, length of stay and the share of tourism income retained within the formal economy.

These challenges exist alongside strong international recognition of Sri Lanka's tourism proposition. The country continued to attract global attention for its combination of coastline, nature, culture, wildlife and heritage. Translating this visibility into sustained economic value requires a coherent destination-marketing strategy, targeted international promotion, consistent visa policies and continued infrastructure development.

Within this broader context, Hikkaduwa remains one of Sri Lanka's most distinctive coastal destinations. Its combination of beach, marine attractions, dining and entertainment continues to appeal to travellers seeking a lively and socially engaging holiday experience. Citrus Hikkaduwa is therefore well positioned to benefit from the destination's appeal, although the Resort must respond to changing guest expectations while operating within regulatory requirements governing entertainment and permitted operating hours.

## STRATEGIC PRIORITIES

During the year, we continued to focus on four areas central to strengthening the Company's long-term competitiveness. Our focus on effective revenue management centred on strategic pricing, demand forecasting and broader market reach.
To enhance the guest experience, we continued to develop dining, entertainment and coastal propositions aligned with Hikkaduwa's distinctive character.
People development remained focused on strengthening service capabilities, employee engagement and performance, while operational efficiency centred on cost discipline, productivity and reducing wastage. Collectively, these priorities are intended to strengthen the Resort's market position, improve margins and support sustainable growth. The Chief Executive Officer's Message discusses these priorities and the progress made in advancing them in greater detail.

## GOVERNANCE AND RISK OVERSIGHT

The Board recognises that effective governance is essential in an industry exposed to geopolitical, financial, regulatory and environmental uncertainty. During the year, the Board maintained oversight of the Group's financial performance, internal controls, risk management, audit and other matters falling within its mandate. The Board and its subcommittees met regularly and continued to engage with management on the performance of the business and the principal risks affecting its operations.

The tourism industry remains highly sensitive to developments beyond the control of individual operators. Geopolitical instability, travel advisories and disruptions to international aviation can affect bookings with limited notice. Cost and liquidity pressures also required continued attention and measures were taken to maintain close oversight of expenditure, procurement, cash flows, collections and debt-servicing commitments.

Citrus Hikkaduwa's proximity to local communities and the adjoining reef and marine sanctuary requires the Resort to manage its social and environmental impacts responsibly. We therefore maintain ongoing engagement with community stakeholders, support local employment, undertake regular social initiatives and work with relevant authorities to manage impacts on the surrounding area. Protecting the beach, reef and wider marine environment remains equally important, given their central role in the destination's appeal and the long-term sustainability of the Resort.

## LOOKING AHEAD

We approach the future with measured optimism. Sri Lanka's underlying tourism proposition remains strong, while Hikkaduwa continues to hold a distinctive position among the country's coastal destinations. The Resort's location, beach access, marine environment and vibrant social character provide a strong platform from which to build.

Following the end of the financial year, Citrus Hikkaduwa temporarily closed during May and June 2026 to undertake a property enhancement programme. The Resort reopened in July with improvements to key guest areas, including the restaurant. The planned addition of a new bar will further broaden the food, beverage and entertainment proposition and support our ambition to strengthen Citrus Hikkaduwa's position as an entertainment hub within the destination.

These investments will be supported by continued focus on revenue management, digital distribution, guest experience, employee development and operational efficiency. We will also seek to deepen the Resort's connection with the wider destination by developing propositions that capture the character of Hikkaduwa and encourage greater guest engagement and expenditure.

At a national level, Sri Lanka must continue to translate its strong destination appeal into higher-value tourism. A consistent destination brand, targeted international promotion and continued infrastructure development are essential. Greater collaboration among the Government, tourism authorities, airlines, formal hotel operators, tour operators, communities and investors will be required to achieve this. A coordinated approach will enable Sri Lanka to convert its exceptional natural and cultural assets into broader and more sustainable value.

## APPRECIATION

I extend my appreciation to my fellow Directors for their guidance and oversight during the year. I also thank the Chief Executive Officer, management team and all employees for their commitment to maintaining the Resort's operations, service standards and guest experience in a demanding operating environment.

On behalf of the Board, I thank our shareholders, guests, travel partners, suppliers, local communities, regulators and other stakeholders for their continued trust and support. We remain committed to strengthening Hikkaduwa Beach Resort PLC, advancing the distinctive proposition of Citrus Hikkaduwa and contributing meaningfully to the long-term development of Sri Lanka's tourism industry.

**S. P. S Ranatunga**
Chairman

# CEO's Message

Navigating a demanding operating landscape required us to balance immediate pressures with a clear focus on the longer-term development of Citrus Hikkaduwa. While the financial results did not fully capture the underlying progress made during the period or the long-term potential of Citrus Hikkaduwa, we remained focused on raising operating standards, building stronger capabilities and positioning the Resort to respond more effectively to future opportunities. The commitment and determination demonstrated by our team throughout this period was particularly encouraging and played an important role in advancing these priorities.

## PROGRESS BEYOND THE HEADLINE NUMBERS

Commercial performance at Citrus Hikkaduwa strengthened during the year, with improved occupancy and effective revenue management supporting stronger contributions. Average occupancy reached 71% while Group revenue increased by 3% to Rs. 1.88 billion. The improvement in demand, however, did not translate fully into the bottom line as higher operating costs continued to weigh on margins, resulting in an operating profit of Rs. 116.29 million. The Group ultimately reported a loss for the year of Rs. 97.41 million, despite the benefit of lower finance costs, a stronger contribution from the associate and a deferred tax reversal. For management, the performance reinforced the importance of translating stronger occupancy and revenue into improved margins through sharper execution, productivity and cost discipline.

## NAVIGATING AN INTERCONNECTED WORLD

The world in which we operate is becoming increasingly interconnected, with geopolitical, economic and climatic developments in one region capable of influencing travel decisions and demand patterns across markets. As outlined in the Chairman's Message, escalating geopolitical tensions during the year led to cancellations in forward bookings, while Cyclone Ditwah disrupted travel patterns at the commencement of the winter season. These external pressures were compounded by rising utility and operating costs and increasing competition, requiring us to remain agile in our commercial and operational decisions.

At an industry level, Sri Lanka continued to demonstrate strong underlying appeal and recorded improved visitor arrivals. However, increasing arrivals alone will not deliver the full potential of the sector. The spending profile of visitors and the value retained within the formal tourism economy remain important considerations, particularly for formal mid-scale to upscale hotels such as ours that require sustainable occupancy at viable room rates to support long-term value creation.

Sri Lanka must therefore strengthen how it positions and markets itself internationally. Despite the country's diverse tourism proposition, delays in implementing sustained international promotion continue to constrain our ability to attract higher-value segments and convert growing global interest into greater economic value. For operators such as Citrus Hikkaduwa, this reinforces the importance of building a distinctive proposition at property level, diversifying source markets and creating experiences that encourage guests to stay longer and spend more within the destination.

## TURNING STRATEGY INTO ACTION

Our strategy at Citrus Hikkaduwa centred on strengthening the Resort's appeal to both international and domestic leisure travellers by building on the distinctive character of the destination. Against this backdrop, our efforts were directed across four strategic priorities.

- Effective Revenue Management: We continued to strengthen the quality and diversity of our revenue base through a combination of strategic pricing and broader market reach. Traditional European markets remained important, while growing demand from India, Russia and other Asian markets provided opportunities to diversify the customer mix. Domestic tourism also continued to contribute during weekends and holiday periods. At Citrus Hikkaduwa, targeted digital marketing and holiday propositions complemented these efforts, while dynamic pricing enabled us to respond more effectively to changing booking patterns and demand conditions.
- Guest Experience: Our approach to guest experience increasingly focused on creating propositions that respond to the reasons travellers choose Hikkaduwa: its beach, marine environment, dining and vibrant social character. Across the Group, curated wellness experiences, family and seasonal packages and culinary promotions were developed in response to evolving preferences. Guest feedback remained encouraging, with positive reviews and repeat patronage providing important validation of this direction. The refurbishment programme completed during 2026/27, including improvements to key guest areas, further strengthens the quality of the product and its long-term positioning.
- People Development: Delivering a distinctive guest experience depends fundamentally on the capability and commitment of our people. We therefore continued to invest in operational and service-related training while strengthening employee engagement, welfare and wellbeing. Greater emphasis was also placed on performance expectations and workplace discipline to improve consistency across the operation.
- Operational Efficiency: Cost discipline remained a priority as rising input costs continued to place pressure on margins. We strengthened procurement through centralised purchasing and closer management of inventory and food costs, while flexible staffing arrangements supported workforce productivity. Energy conservation initiatives, tighter control of wastage and greater utilisation of shared corporate services also contributed to improving efficiency.

## A DESTINATION IN ITS OWN RIGHT

An important part of our longer-term strategy is to strengthen Hikkaduwa's identity as a destination in its own right and position Citrus Hikkaduwa at the centre of that experience. Hikkaduwa offers a distinctive combination of beach, marine attractions, seafood, entertainment and a vibrant social culture that differentiates it from many other coastal locations in Sri Lanka. Our aspiration is therefore to move beyond simply providing accommodation and create a stronger connection between the Resort and the wider destination, enabling guests to experience more of what Hikkaduwa has to offer.

## PROTECTING WHAT DEFINES THE DESTINATION

Our responsibility extends beyond the Resort to the community and natural environment that form an integral part of the Hikkaduwa experience. We continued to support local employment and community initiatives while advancing measures to improve resource efficiency and reduce our environmental footprint. Energy-efficiency efforts included optimising air-conditioning costs, outsourcing laundry operations and improving water treatment processes, while waste management initiatives focused on segregation, recycling and the continued reduction of single-use plastics. We also remain mindful of our responsibility to safeguard the adjoining reef, marine sanctuary and coastal environment, which are fundamental to the long-term appeal of the destination.

## WAY FORWARD

Volatility has increasingly become a feature of the environment in which we operate, and our response will be to build greater resilience through long-term strategic interventions rather than reacting only to short-term disruption. We remain optimistic about the underlying prospects for Sri Lanka's tourism sector and the distinctive potential of Hikkaduwa, although the near-term outlook continues to be clouded by prevailing geopolitical tensions and the potential impact on travel flows and consumer sentiment. Against this backdrop, our efforts will focus on driving sustainable and profitable revenue growth by further diversifying our source markets, strengthening revenue management and enhancing commercial performance. We will continue to invest in the Citrus Hikkaduwa guest experience through digital transformation and property enhancements that reinforce the Resort's distinctive positioning and strengthen customer loyalty. Equally, we will focus on building a stronger organisation through operational excellence, continued investment in our people and creating the capabilities required to navigate uncertainty and deliver long-term value for our stakeholders.

## ACKNOWLEDGEMENTS

In closing, I extend my appreciation to our shareholders, guests, business partners and other stakeholders for their continued confidence and support. I also thank our employees across the Group whose dedication, professionalism and commitment remain central to the progress we continue to make. With a clear strategic direction, disciplined execution and continued focus on our markets and guests, I am confident that Citrus Hikkaduwa is well positioned to navigate the road ahead and build on the opportunities before us.

**P. C. B. Talwatte**
Chief Executive Officer

# Board of Directors

**S. P. S. RANATUNGA**
*Independent Non-Executive Director / Chairman*

**Skills and experience**
Mr. S.P.S. Ranatunga was the Managing Director of CIC Holdings PLC from 2010 to 2019. He joined the Company as an Executive in 1988 and held various senior positions and was Director of main subsidiaries of CIC Holdings PLC namely Chemanex PLC and Link Naturals Pvt Ltd and was the Chairman of Agroworld (Pvt) Ltd.

Mr. Ranatunga served on the Board of Directors of Seylan Bank PLC from 2010 – 2019. During this tenure, he chaired the Risk, Human Resources, Nomination, Marketing and Strategic Planning Committees of the Bank and served as a member of the Audit Committee. He was also the Chairman of Ceylon Chamber of Commerce from 2015 – 2017. Since 2019, he headed the pioneering Clinical Research Company, RemediumOne (Pvt) Ltd in Sri Lanka which is a public-private partnership with the University of Kelaniya.

He was appointed a Director of VSIS Group in 2024, one of the largest diversified groups in the IT industry.

**He holds directorships in eight companies:**
Independent Non-Executive Director

Citrus Leisure PLC (Chairman)

George Steuart and Company Limited

H V A Foods PLC (Chairman)

Hikkaduwa Beach Resort PLC (Chairman)

RemediumOne (Pvt) Ltd

Spectrify AI Agro Technology (Pvt) Ltd (Chairman)

V S Information Systems Group (Pvt) Ltd

Waskaduwa Beach Resort PLC (Chairman)

**P. C. B. TALWATTE**
*Executive Director/Chief Executive Officer*

**Skills and experience**
Mr. Chandana Talwatte has been serving in the capacity of Executive Director/ Chief Executive Officer of Citrus Group since 2012.

Prior to joining Citrus group, he served at John Keells Holdings PLC, playing an integral role in its leadership team from 1993, having served as Vice President, Director/CEO at several group companies including Bosanquet and Skrine Ltd the trading arm of JKH group, Mackinnon Mackensie & Co of Ceylon Ltd, foreign employment division of JKH as Director/CEO, Mackinnons Travels, Outbound travel company as Director, Mack International Freight (Pvt) Ltd as Director/CEO, Whittals Boustead Cargo as Director/CEO and Cinnamon Lakeside Colombo as Vice president and Head of Sales Marketing, PR and operations. He also served as a member of the Plantation, Transportation and Leisure sectors of the JKH group.

Following the Asian tsunami of 2004, Mr. Talwatte was seconded to serve the Government of Sri Lanka as Director Task Force for "Rebuilding the Nation" overseeing the funding pledged by international donors. He is also a member of the Board of Directors of Sri Lanka Tourism Promotion Bureau, Committee Member of The Hotels Association of Sri Lanka (THASL) and Colombo City Restaurant Collective (CCRC).

**He holds directorships in five companies:**
Executive Director/Chief Executive Officer

Citrus Leisure PLC

Hikkaduwa Beach Resort PLC

Waskaduwa Beach Resort PLC

Citrus Silver Ltd

Citrus LT (Pvt) Ltd

**S. M. A. DE SILVA SUGATHAPALA**
*Executive Director*

**Skills and experience**
Mr. Mani Sugathapala has been on the leadership team of Citrus Leisure PLC since 2011. A veteran of the Sri Lankan hospitality industry, Mr. Sugathapala has nearly four decades of experience in sales, marketing and operations of hotels and resorts. Prior to joining Citrus, Mr. Sugathapala was Assistant Vice President

at John Keells Holdings PLC, where he was the Head of Sales and Marketing in Sri Lanka for John Keells Hotels properties.

During his stint at John Keells Hotels, he played an instrumental role in launching the Cinnamon and Chaaya brands.

Mr. Sugathapala has worked extensively with key tourist markets and has been a regular attendee at renowned global travel and tourism fairs such as WTM, ITB, ATM, IFTM and Leisure Moscow. He is a member of the Chartered Institute of Marketing, UK, and has undergone training in revenue management from the Cornell University as well as the Emirates Academy of Hotel Management.

**He holds directorships in three companies:**
Executive Director

Citrus Leisure PLC

Hikkaduwa Beach Resort PLC

Waskaduwa Beach Resort PLC

**S. A. AMERESEKERE**

*Non-Executive Director*

**Skills and experience**

Sarva is the Group Chairman of George Steuart & Co., Sri Lanka's oldest business entity established in 1835. He plays a pivotal role in the management and strategic planning of the Group's diversified sectors including healthcare, tea exports, financial services, travel, leisure, industrial solutions and FMCG. Accordingly, Sarva holds several key positions within the Group, including directorships of all of its listed Subsidiaries and Affiliates including Citrus Leisure PLC and its subsidiaries, Colombo Land and Development Company PLC, and H V A Foods PLC.

Sarva also served as the Director / CEO of Triad (Pvt) Ltd, one of Sri Lanka's leading integrated communication entities up to early 2024, where he now remains as an Executive Director. The Triad Group integrates a cluster of specialised communications companies that offer its clients an unmatched holistic and synchronised communication solution.

Qualified in both business and engineering, Sarva has extensive local and foreign exposure in diverse areas of business. He holds a Master's Degree in Engineering Management from the University of Southern California, Los Angeles, and a Bachelor's Degree in Industrial and Operations Engineering from the University of Michigan, Ann Arbor, USA.

**He holds directorships in forty four companies :**

**Executive Director**

Colombo Land and Development Company PLC

George Steuart and Company Limited (Group Chairman)

Triad (Pvt) Ltd

**Non-Executive Director**

Adpack Productions (Pvt) Ltd

Agrispice (Private) Limited

Anantya Global Solutions Company Limited

Asia Commerce Holdings Ltd

Ceylon Grid Services (Pvt) Ltd

Citrus Leisure PLC

Citrus LT (Pvt) Ltd

Diva Osu Ayurveda (Pvt) Ltd

Divasa Equity (Pvt) Ltd

Divasa Real Estate (Pvt) Ltd

Emagewise (Pvt) Ltd

George Steuart Ethicals (Pvt) Ltd

George Steuart Aviation (Pvt) Ltd

George Steuart Capital (Pvt) Ltd

George Steuart Consumer (Pvt) Ltd

George Steuart Education (Pvt) Ltd

George Steuart Exports (Pvt) Ltd

George Steuart Health (Pvt) Ltd

George Steuart Holidays (Pvt) Ltd

George Steuart Industries (Pvt) Ltd

George Steuart Insurance Brokers (Pvt) Ltd

George Steuart Investment (Pvt) Ltd

George Steuart Recruitments (Pvt) Ltd

George Steuart Solutions (Pvt) Ltd

George Steuart Telecom (Pvt) Ltd

George Steuart Travels Limited

George Steuart Optimize (Pvt) Ltd

Gree Lanka (Pvt) Ltd

H V A Foods PLC

H V A Holdings (Pvt) Ltd

Hardtalk (Pvt) Ltd

Hikkaduwa Beach Resort PLC

James Steuart (Pvt) Limited

Kites Digital (Pvt) Ltd

Kites Global (Pvt) Ltd

Liberty Developers (Pvt) Ltd

Liberty Holdings Limited

Mango Publishes (Pvt) Ltd

Three Fifty at Union (Pvt) Ltd

Traidhot.com (Pvt) Ltd

Waskaduwa Beach Resort PLC

# Board of Directors

**P. L. P. WITHANA**

*Independent Non-Executive Director*

**Skills and experience**

Mr. Lalith Withana brings over 30 years of experience in both the corporate and public sectors, having held senior management positions in banking, manufacturing, and trading for more than 25 years.

He has worked with several prominent organisations, including the Brandix Group, Ernst & Young, Amsterdam-Rotterdam (Amro) Bank, IBM World Trade Corporation, Carson Cumberbatch, Ceylon Tea Services Limited, and Yamaha Corporation (USA). He also served as Group Chief Finance and Administrative Officer of SriLankan Airlines, later becoming the Chief Executive Officer of its subsidiary, Sri Lankan Catering. In addition, he worked as a Management Consultant for Deloitte Consulting Overseas Projects LLC.

Mr. Withana has previously served as an Independent Director on the Boards of Bank of Ceylon, Dankotuwa Porcelain PLC, Merchant Bank of Sri Lanka & Finance PLC, Ceylease Limited, and Seylan Bank PLC. He has also been a Commissioner of the Telecommunications Regulatory Commission of Sri Lanka.

Currently, he serves as an Independent Director on the boards of several public companies and is the Managing Director of Agility Consulting Services (Pvt) Ltd, where he continues his practice in management consulting.

Mr. Withana holds a Master of Business Administration (MBA) from the University of Sri Jayewardenepura, Colombo, and a Bachelor of Arts (BA Hons.) from Manchester Metropolitan University, UK. He is a Fellow of both the Chartered Institute of Management Accountants (FCMA), UK, and the Institute of Chartered Accountants of Sri Lanka (FCA). He is also a certified Project Management Professional (PMP) of the Project Management Institute (PMI), USA.

**He holds directorships in eleven companies:**

**Executive Director**

Agility Consulting Services (Pvt) Ltd (Managing Director)

Serendipity Leisure (Pvt) Ltd

**Independent Non-Executive Director**

Hunter & Company PLC (Senior Independent Director)

HNB Finance PLC (Senior Independent Director)

Lanka Canneries (Pvt) Ltd (Senior Independent Director)

Citrus Leisure PLC

Commercial Development Company PLC

Hikkaduwa Beach Resort PLC

Softlogic Life Insurance Lanka Ltd

Softlogic Life Insurance PLC

Waskaduwa Beach Resort PLC

**R. G. SENEVIRATNE**

*Non-Executive Director*

**Skills and experience**

Mr. Rajinda Seneviratne's family established Reefcomber Hotel in Hikkaduwa in the 1980s which is now the Hikkaduwa Beach Resort PLC Hotel. The family has diversified into trading in tea, packaging and warehousing through Corona T Stores Ltd.

Mr. Seneviratne served as the former Managing Director of Corona T Stores Ltd amongst his group of companies. He holds expertise in accounts, administration, logistics and human resources.

**He holds directorships in four companies:**

**Non-Executive Director**

Citrus Leisure PLC

Hikkaduwa Beach Resort PLC

Waskaduwa Beach Resort PLC

Citrus Aqua Limited

**Former Partnerships/Proprietorships**

Corona T Stores

Corona Ventures

Corona Tea Stores

C V Private

**P. N. MAHAWATTE**

*Independent Non-Executive Director*

**Skills and experience**

Mr. Niran Mahawatte is an experienced Senior Banker with specialisation in Treasury Management. He has experience in the banking and financial services sector for over 30 years where he has held senior management positions.

He was the former Vice President and Head of Treasury at the National Development Bank PLC.

Mr. Mahawatte has also worked at Deutsche Bank Colombo Branch and Commercial Bank of Ceylon PLC.

Mr. Mahawatte holds a Bachelor of Science (BSc. Honours) degree from the University of Colombo. He is a Fellow Member of the Chartered Institute of Management Accountants (FCMA), UK, and a Chartered Global Management Accountant.

He is a Past President of the Mercantile Cricket Association, also served in the capacity of Treasurer of the Wildlife & Nature Protection Society of Sri Lanka.

**He holds directorships in four companies:**

**Independent Non-Executive Director**

Citrus Leisure PLC

George Steuart Asset Management (Pvt) Ltd

Hikkaduwa Beach Resort PLC

Waskaduwa Beach Resort PLC

# MANAGEMENT DISCUSSION AND ANALYSIS

# Operational Review

The Resort operates within a destination that presents both distinctive opportunities and operational considerations. Its beachfront location and proximity to Hikkaduwa's marine attractions create a compelling proposition for travellers seeking sun, sea, dining and entertainment. On the other hand, the Resort must operate within regulatory requirements governing entertainment and operating hours. Our operational approach therefore focused on strengthening the guest proposition within these parameters, developing our people and supporting the community and natural environment that underpin the destination's appeal.

**Strengthening the guest proposition:** The expectations of travellers visiting Hikkaduwa differ from those associated with a conventional resort stay. Guests increasingly seek an experience that brings together quality accommodation, seafood and the lively social atmosphere for which the destination is known. Accordingly, the Resort continued to align its dining, recreational and entertainment offering with the distinctive character of Hikkaduwa, while ensuring compliance with applicable regulatory requirements.

The property enhancement programme completed after the year-end further supports this direction. Citrus Hikkaduwa temporarily closed during May and June 2026 and reopened on 1 July following upgrades to the property, including the restaurant. The planned introduction of an additional bar will further diversify the food, beverage and entertainment proposition and strengthen the Resort's positioning within the destination.

**Developing our People:** Our employees play a central role in creating the welcoming and responsive service experience expected at a beach resort. The Resort continued to focus on employee welfare, wellbeing, training and development, supported by the property-level human resources team and the corporate HR function.

Attention was also placed on strengthening engagement and maintaining clear expectations regarding performance and workplace discipline. Recruitment from Hikkaduwa and surrounding areas continued to create local employment opportunities, while supporting broader community relations within the locality.

**Supporting our Community and Environment:** Citrus Hikkaduwa maintains close links with the surrounding community through regular social initiatives. The Resort undertakes a community-focused project each month, including blood donation campaigns and other activities aimed at supporting local needs and strengthening relationships with community stakeholders.

The adjoining reef and marine sanctuary are integral to Hikkaduwa's identity and the Resort's tourism proposition. Protecting this environment therefore remains an important operational responsibility. The Resort supports restrictions on fishing within the protected area and works within the requirements of Coast Conservation and environmental authorities to safeguard the reef, beach and wider coastal ecosystem.

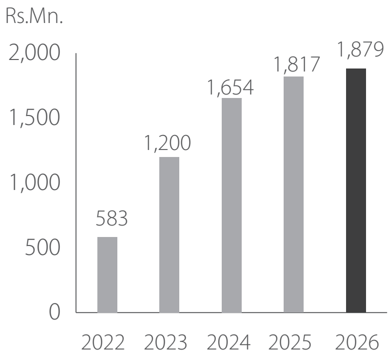
# Financial Review

The following review presents the Group's financial performance, together with selected operating highlights of the Company, Citrus Hikkaduwa.

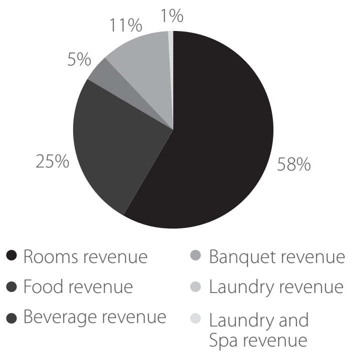
### Revenue

Group revenue increased by 3% to Rs. 1.88 bn from Rs. 1.82 bn in the previous year, supported primarily by growth in room revenue. Rooms remained the largest revenue contributor, accounting for 58% of total revenue and increasing by 7% during the year. Banquet revenue increased by 4% while food revenue remained broadly stable. At Citrus Hikkaduwa, revenue increased by 9% to Rs. 647.72 mn. Room revenue increased by 12% to Rs. 439.26 mn, supported by effective revenue management, strategic pricing and strong demand for the Resort's beach-based leisure proposition. Average occupancy reached 71%, exceeding the budgeted occupancy for the year.

**Group Revenue**




**Revenue Composition**



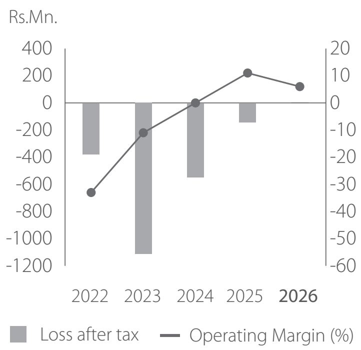

### Gross Profit

Gross profit increased by 6% to Rs. 1.30 bn, outpacing revenue growth and widening the gross profit margin to 69.1% from 67.1%. Cost of sales declined by 3% despite the increase in revenue, reflecting continued attention to procurement, food costs, resource utilisation and measures to minimise wastage. The improvement in gross margin was achieved against a backdrop of continued pressure from food, utility, employee and other supplier-related costs. Meanwhile, price-sensitive international and domestic markets limited the extent to which higher operating costs could be fully passed on through room rates. Operational efficiency and cost discipline therefore remained important in protecting direct margins while maintaining service standards.

### Cost Management and Operating Profitability

The improvement in gross profit was offset by higher indirect operating costs during the year. Administrative expenses increased by 15% to Rs. 618.64 mn, with employee-related expenditure contributing to the increase as the Group continued to invest in the people required to maintain service standards and operational capability. Salaries and wages increased to Rs. 225.56 mn from Rs. 191.39 mn, while defined contribution costs also increased during the year.

**Profitability vs Operating Margin**




Other operating expenses increased by 6% to Rs. 521.39 mn, although selling and marketing expenses declined by 16%. Other income and gains also reduced substantially to Rs. 12.45 mn from Rs. 80.73 mn, largely reflecting the normalisation of the disposal gains recognised in the previous year.

Consequently, operating profit declined by 43% to Rs. 116.29 mn, while the operating profit margin declined from 11.2% to 6.2%. The movement highlights the continued importance of improving productivity, maintaining cost discipline and generating greater operating leverage from revenue growth.

### Finance Costs

Finance costs declined by 24% to Rs. 300.26 mn, providing a significant benefit to the Group's overall result. Interest expense on loans and borrowings decreased by 19% to Rs. 267.47 mn, while interest on related-party balances also declined.

The reduction was supported by lower overall borrowings and the more favourable interest-rate environment during the year. Total interest-bearing borrowings declined by 6% to Rs. 2.87 bn from Rs. 3.05 bn. Finance income, however, decreased by 50% to Rs. 7.12 mn, mainly due to lower interest income on deposits and reduced fair value gains on financial investments.

### Overall Performance

The Group recorded a loss before tax of Rs. 234.84 mn, compared with Rs. 152.68 mn in the previous year. Although operating profit declined, the impact was partly mitigated by lower finance costs and an increase in the Group's share of profit from its associate to Rs. 40.70 mn from Rs. 24.75 mn.

A deferred tax reversal of Rs. 137.43 mn reduced the loss after tax to Rs. 97.4 mn, compared with a loss of Rs. 142.74 mn in the previous year. Loss attributable to equity holders of the parent amounted to Rs. 14.67 mn, translating to a loss per share of Rs. 0.03, compared with a loss per share of Rs. 0.23 in the preceding year.

Other comprehensive income amounted to Rs. 187.58 mn, mainly arising from the revaluation of land and buildings after accounting for the related deferred tax impact. Consequently, the Group recorded total comprehensive income of Rs. 90.16 mn compared with a total comprehensive loss of Rs. 47.13 mn in the previous year.

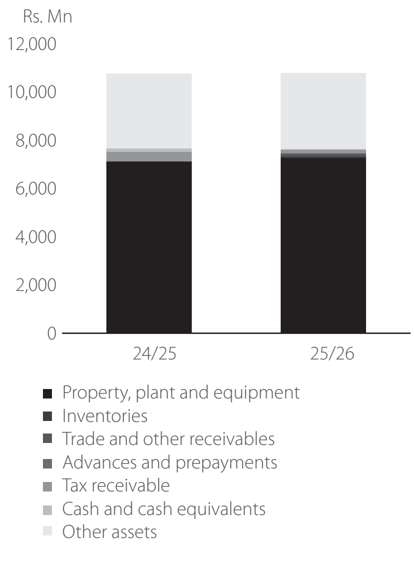
### Total Assets

Total assets remained broadly stable at Rs. 10.68 bn. Property, plant and equipment remained the largest component of the asset base, accounting for 67% of total assets and increasing by 2% to Rs. 7.26 bn. Current assets declined during the year, primarily reflecting lower receivables and cash balances. The reduction in trade debtors points to improved collections, while the lower cash position highlights the importance of maintaining disciplined working capital and liquidity management. This remains a key area of focus as the Group balances operating requirements, debt commitments and ongoing investment needs.

**Total Liabilities**

Total liabilities declined by 5% to Rs. 5.02 bn, with non-current liabilities accounting for approximately 78% of the total. While interest-bearing borrowings decreased by 6%, the maturity profile shifted towards longer-term funding. Non-current borrowings increased by 5% to Rs. 2.52 bn, while current borrowings declined by 46%, reducing near-term debt repayment obligations.

## Group Asset Composition




Trade and other payables increased by 46% to Rs. 736.19 mn, driven mainly by higher accrued expenses, notes payable and sundry creditors. This was partly offset by reductions in related-party payables and contract liabilities.

Despite the reduction in current liabilities, the decline in cash and receivables resulted in the current ratio reducing to 0.36 times from 0.46 times. The Group therefore continued to operate with a working capital deficit, which increased to approximately Rs. 713 mn from Rs. 669 mn in the previous year.

**Equity and Funding Profile**

Total equity increased by 3% to Rs. 5.66 bn, supported by the revaluation of land and buildings and the improvement in the Group's overall comprehensive result. Equity attributable to owners of the parent increased by 2% to Rs. 4.62 bn, while the revaluation reserve increased by 5% to Rs. 2.39 bn.

The combination of higher equity and lower borrowings strengthened the Group's funding profile. The debt-to-equity ratio improved to 50% from 56%, while gearing reduced to 33% from 36%. Net assets per share increased to Rs. 8.53 from Rs. 8.37.

**Way Forward**

Looking ahead, the Group will remain focused on improving the quality of revenue, strengthening margins and maintaining disciplined management of costs, cash flows and funding. For Citrus Hikkaduwa, emphasis will continue to be placed on effective revenue management, market diversification and developing guest experiences that capture the distinctive beach, dining and entertainment character of the destination.

The property enhancements completed after the year-end, including improvements to the restaurant, together with the planned expansion of the food, beverage and entertainment proposition, are expected to strengthen Citrus Hikkaduwa's competitive positioning. These initiatives, supported by continued investment in people, digital distribution and operational efficiency, are intended to drive stronger guest engagement, improve revenue generation and support a progressive improvement in profitability.

# Value Creation Model

Our value creation model demonstrates how we draw on our financial, manufactured, human, intellectual, social and relationship, and natural capitals to deliver distinctive guest experiences and create sustainable value for our stakeholders.

## INPUTS

### FINANCIAL CAPITAL

- Group total equity: Rs. 5.66 bn
- Group Interest-bearing borrowings: Rs. 2.87 bn (page 113)

### MANUFACTURED CAPITAL

Property, plant and equipment of Rs. 7.26 bn which includes,

- Combined room capacity of 240 across Citrus Hikkaduwa and Citrus Waskaduwa
- Beachfront properties, restaurants and event facilities
- Recreational facilities
- Operational equipment

### HUMAN CAPITAL

- Employee values, knowledge, hospitality experience and service capabilities
- Culture of service excellence

### SOCIAL & RELATIONSHIP CAPITAL

Relationships with guests, tour operators, travel agents, corporate clients, suppliers, business partners, local communities and regulatory authorities

### INTELLECTUAL CAPITAL

- Citrus brand and market reputation
- Operational expertise
- Understanding of the appeal of the destinations and traveller expectations

### NATURAL CAPITAL

- Beachfront and coastal environments, including the Hikkaduwa reef and adjoining marine sanctuary
- Water, energy, food and other natural resources used in operations

## VALUE TRANSFORMATION


### STRATEGIC FOCUS AREAS

- Effective revenue management
- Guest experience
- People development
- Operational efficiency

## OUTPUTS

### OUTPUTS

- Guest nights
- Food and beverage propositions
- Guest experiences

### ENVIRONMENTAL IMPACTS

- Waste generation
- Emissions


## STAKEHOLDER OUTCOMES

### SHAREHOLDERS

- Group's Operating profit for the year: Rs. 116.29 mn
- Group's Loss for the year: Rs. 97.41 mn

### GUESTS

- Access to high-quality accommodation facilities
- Choice across accommodation, dining, wellness and entertainment offerings

### EMPLOYEES

- Value distribution through salaries
- Focus on employee welfare and wellbeing
- Conducive work environment
- Opportunities for career and skill development

### SUPPLIERS

- Ongoing participation in the Company's value chains

### LOCAL COMMUNITIES

- Employment and livelihood opportunities
- Support through community and social initiatives

### GOVERNMENT

- Foreign exchange earnings generated
- Employment generation

# Stakeholder Engagement

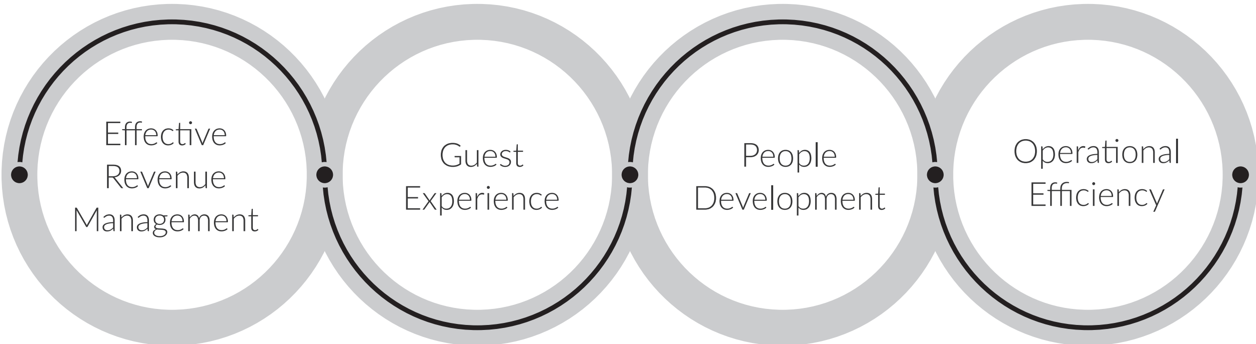
Stakeholder engagement is particularly important to properties such as  Citrus Hikkaduwa, given the distinct expectations of travellers drawn to the destination's beach, marine and entertainment experiences. Our guests seek a combination of accommodation, service, seafood and a vibrant social atmosphere, requiring us to remain responsive to evolving preferences. We therefore maintain ongoing engagement with guests, employees, business partners, local communities and regulators to strengthen the guest experience, support responsible operations and preserve the coastal environment that underpins the destination's appeal.

| Stakeholder | Methods of engagement | Key expectations | Our response |
|---|---|---|---|
| Guests | • Direct interactions throughout the guest journey<br>• Guest surveys and feedback forms<br>• Online reviews and booking platforms<br>• Social media channels<br>• Direct enquiries and complaint handling mechanisms | • Clean, comfortable and safe accommodation<br>• Friendly and responsive service<br>• Value for money<br>• Quality food and beverage options<br>• Beach, leisure and entertainment experiences<br>• A lively atmosphere aligned with the character of the location | • Continued to align dining, recreational and entertainment experiences with Hikkaduwa's distinctive beach culture<br>• Strengthened the food and beverage proposition, with greater emphasis on seafood and a relaxed coastal setting<br>• Completed a property enhancement programme after the year-end, including improvements to the restaurant |
| Employees | • Performance discussions and appraisals<br>• Departmental meetings<br>• Management communication<br>• Open-door engagement and grievance channels | • Job security and employment stability<br>• Fair remuneration<br>• Conducive work environment<br>• Learning and career development<br>• Recognition and engagement<br>• Clear performance expectations | • Maintained a dedicated property-level HR function supported by the corporate HR team<br>• Ongoing technical, operational and service-related training<br>• Increased attention to employee welfare, wellbeing and engagement<br>• Strengthened performance expectations and workplace discipline |
| Shareholders | • Annual General Meeting<br>• Annual and quarterly financial statements<br>• Colombo Stock Exchange announcements<br>• Corporate website | • Transparent and timely reporting<br>• Improved profitability and cash generation<br>• Prudent financial management<br>• Effective cost control<br>• Preservation of asset value and long-term returns | • Maintained timely financial and regulatory reporting<br>• Applied strategic pricing and revenue management to optimise performance<br>• Ongoing measures to minimise wastage and manage operating costs<br>• Invested in maintaining the Resort's long-term competitiveness and distinctive positioning<br>• Robust corporate governance and risk management practices |

| Stakeholder | Methods of engagement | Key expectations | Our response |
|---|---|---|---|
| Tour Operators, Travel Partners and Corporate Clients | • Direct meetings and account management<br>• Travel fairs and industry events<br>• Contract negotiations<br>• Joint planning and promotional activities<br>• Booking and performance reviews | • Competitive and consistent pricing<br>• Reliable service delivery<br>• Accurate and timely information<br>• Products suited to changing traveller preferences<br>• Strong long-term commercial relationships | • Strengthened targeted digital marketing and online distribution<br>• Used dynamic pricing and demand management to respond to changing booking patterns<br>• Developed experiential and holiday propositions |
| Local communities | • Community initiatives<br>• Engagement with local organisations and craftspeople<br>• Local recruitment<br>• Environmental activities<br>• Informal dialogue with community members | • Employment and livelihood opportunities<br>• Support for local enterprises<br>• Responsible management of environmental impacts | • Undertook community-focused initiatives each month<br>• Conducted blood donation and other social programmes<br>• Created employment opportunities for people from adjacent communities<br>• Supported economic activity through relationships with local suppliers and service providers<br>• Continued efforts to protect the adjoining reef and marine sanctuary |
| Government, Regulators and Industry Bodies | • Regulatory filings and inspections<br>• Engagement with tourism authorities<br>• Industry forums and associations<br>• Meetings and formal correspondence | • Compliance with applicable laws and regulations<br>• Contribution to tourism and employment<br>• Responsible business practices<br>• Timely payment of taxes and statutory dues<br>• Cooperation on industry and destination development | • Maintained regulatory and statutory compliance<br>• Continued engagement on matters affecting the tourism sector<br>• Contributed to employment, tourism earnings and wider economic activity |

# Strategic Priorities

The strategic direction of Citrus Hikkaduwa was shaped by the evolving expectations of its stakeholders and emerging dynamics within the tourism sector. As a beachfront resort, the property must cater to guests seeking a distinctive combination of accommodation, entertainment and coastal experiences, while operating within applicable regulatory requirements and responding to increasing competition within the destination. Key strategic priorities during the year are summarised below and described in further detail in the Operational Review on page 13 of this Report.




- **Effective Revenue Management:** The Resort focused on optimising revenue through strategic pricing, demand forecasting and targeted holiday packages across international and domestic leisure segments. Emphasis on digital marketing and relationships with travel partners supported market reach, while effective rate management enabled Citrus Hikkaduwa to achieve average occupancy of 71%, ahead of the budgeted occupancy levels.

- **Guest Experience:** Guest experience initiatives were shaped by the distinctive expectations of travellers visiting Hikkaduwa for its beach and entertainment offering. The Resort continued to strengthen its accommodation, dining and recreational proposition, with greater emphasis on cuisine, entertainment, and experiences that capture the vibrant character of the destination.

- **People Development:** The Resort continued to invest in the skills, wellbeing and engagement of its employees, recognising their central role in delivering responsive and memorable guest experiences. Training and development, employee welfare and performance management remained key areas of focus, supported by the property-level HR team and the corporate HR function.

- **Operational Efficiency:** Operational efficiency remained vital in managing rising input costs while maintaining service standards. The Resort strengthened cost controls through measures to minimise wastage, improve procurement and inventory management, manage food and energy costs and enhance workforce productivity, supported by shared corporate services.

# Operating Environment

## GLOBAL ECONOMIC ENVIRONMENT

Global economic growth remained steady at 3.5% in 2025, supported by easing financial conditions, policy interventions and sustained investment in technology. Despite the overall expansion growth remained uneven across regions with trade restrictions, geopolitical instability and structural weaknesses continuing to constrain performance. The escalation of conflict in the Middle East from February 2026 resulted in significant uncertainty, contributing to higher energy costs, supply chain pressures and volatility in financial markets. Against this backdrop, the International Monetary Fund projects global growth to ease to 3.0% in 2026, while headline inflation is expected to increase to 4.7%. A broader or more prolonged conflict could further weaken the outlook through renewed commodity price pressures, tighter financing conditions and disruptions to global trade.

## GLOBAL TOURISM INDUSTRY

International tourism continued its upward trajectory in 2025, with arrivals reaching an estimated 1.52 billion, up 4% from the previous year. This represented an increase of nearly 60 million travellers and set a new high for the post-pandemic period. The expansion was driven by resilient travel demand, strong outbound movement from key source markets and the gradual recovery of destinations in Asia and the Pacific. Greater air connectivity and more accessible visa arrangements also supported travel activity, despite higher tourism costs and continued geopolitical uncertainty. Africa recorded the fastest regional increase at 8%, while arrivals to Asia and the Pacific rose by 6% as the region moved closer to pre-pandemic levels. International tourism receipts grew by 5% to approximately USD 1.9 trillion, with spending per visitor increasing across many destinations.

60 million travellers added in 2025

1.52 billion international arrivals

5% growth in international tourism receipts

*Source: UN Tourism*

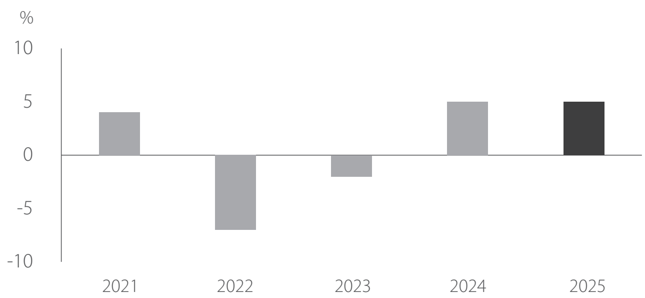
The positive momentum in international tourism carried into the first few months of 2026, although tapering towards the latter part of the first quarter against the backdrop of rising geopolitical tensions. Accordingly, demand remained firm during January and February, producing cumulative growth of 2.5%, before the escalation of conflict in the Middle East disrupted travel activity in March. Airspace closures, operational constraints and increased uncertainty affected regional traffic and wider international travel flows, given the Middle East's role as a major aviation link between Asia, Africa and Europe. Rising fuel and travel costs also influenced booking decisions, increasing travellers' sensitivity to price and value.

## SRI LANKAN ECONOMY

The Sri Lankan economy continued to show signs of stability in 2025, reflecting policy continuity under the IMF programme, ongoing fiscal reforms and measures to strengthen governance and competitiveness. GDP grew by 5.0%, led by a 7.8% expansion in industry and 3.3% growth in services. Meanwhile, tourism-related activity continued to strengthen during 2025, with accommodation services expanding by 12.4%, supported by the continued recovery in tourist arrivals and demand for hospitality services. With inflation remaining subdued, the Central Bank reduced the Overnight Policy Rate to 7.75% in May 2025. Lower lending rates and improved liquidity supported private sector credit growth of 24.8%, while annual average inflation remained contained at 1.5%.

The country's external position also strengthened during the year, with the current account recording a surplus of USD 1.7 billion by December 2025. However, the trade deficit widened as import growth outpaced exports, partly due to the resumption of vehicle imports. Gross official reserves improved by end-March 2026, supported by the Central Bank's net foreign exchange purchases, while the Sri Lankan Rupee remained broadly stable with a marginal appreciation of 0.2% against the US Dollar.

**Sri Lanka Economic Growth**




*Source: Department of Census and Statistics, Sri Lanka*

## SRI LANKA TOURISM INDUSTRY

Sri Lanka's tourism sector gained further momentum in 2025, with arrivals rising by 15% to a record 2.36 million. This exceeded the previous peak achieved in 2018, while all twelve months recorded growth compared with the corresponding periods of the previous year. December marked the highest monthly arrivals ever recorded in the country. India continued to lead the source-market mix, followed by the United Kingdom and Russia. This performance was achieved despite travel advisories, delays in destination marketing initiatives and peak-season disruptions caused by Cyclone Ditwah. Meanwhile Sri Lanka's international profile was further strengthened through several prominent destination accolades as set out below.

# Operating Environment

- BBC Travel ranked Sri Lanka ninth among its 25 Best Places to Travel in 2025
- World Travel Awards named Sri Lanka the World's Leading Nature Destination 2025
- Sri Lanka was also recognised as Asia's Leading Nature Destination 2025 and Asia's Leading Cultural Destination 2025 by the World Travel Awards
- Sri Lanka received the Gold award for the Most Desirable Island in the World at the Wanderlust Reader Travel Awards 2024

Tourism earnings rose modestly to an estimated USD 3.22 billion in 2025, compared with USD 3.17 billion in the previous year. The slower pace of growth in earnings relative to arrivals highlights the need to increase visitor spending and encourage longer stays. While Sri Lanka continued to attract a growing number of travellers, delays in establishing a unified destination brand, rolling out international promotional campaigns and advancing visa facilitation limited progress towards the target of 3 million arrivals. For hotel operators, these conditions emphasise the importance of diversifying source markets, strengthening distribution networks and developing distinctive guest experiences that generate greater value from each visitor.

**8.29**
**(2024: 8.42)**
Average duration of stay

**USD 1,363**
**(2024: USD 1,543)**
Average earnings per arrival

**59,578 ROOMS**
**(2024: 55,455)**
Accommodation capacity

*Source: Sri Lanka Tourism Development Authority*

# GOVERNANCE & RISK MANAGEMENT

# Corporate Governance

## OUR GOVERNANCE FRAMEWORK

**Regulatory Framework/ Assurance**

**Companies Act No. 7 of 2007**

**Listing Rules of the Colombo Stock Exchange (CSE)**

**Code of Best Practices on Corporate Governance issued jointly by SEC and ICASL**

**Sri Lanka Accounting Standards (SLFRS/LKAS)**

Corporate Governance (CG) is a framework of rules and practices by which an organisation is directed, controlled and managed. Our CG framework provides an overview of the Corporate Governance structures, principles, policies and practices of the Board of Directors of Hikkaduwa Beach Resort PLC (CITH). At CITH, the approach to CG is guided by ethical culture, stewardship, accountability, independence, continuous improvement, oversight of strategy and risk. The fundamental relationship among the Board, Management, Shareholders and other Stakeholders is established by our governance structure, through which the ethical values and corporate objectives are set and plans for achieving those objectives and monitoring performance are determined.

To serve the interests of shareholders and other stakeholders, CITH's Corporate Governance system is subject to ongoing review, assessment and improvement. The Board of Directors proactively adopts good governance policies and practices designed to align the interests of the Board and Management with those of shareholders and other stakeholders and to promote the highest standards of ethical behaviour and risk management at every level of the organisation. Further, the Board considers good governance practices to be fundamental and endeavours to go beyond the legal requirement by implementing International best CG practices and stakeholder engagement, ensuring high standards of professionalism and ethics.

The Board provides strategic leadership and guidance and sets the tone to ensure that the development of the Company is based on values. We believe that our values are the driving force across the Group and are our guiding force for good governance.

## BOARD OF DIRECTORS

The Board of Directors is committed to maintaining the highest standards of corporate governance and ethical business conduct in the operations and decision making process. In this regard, the Board of Directors is responsible for the governance of the Company whilst the shareholders' role in governance is to appoint the Directors and the Auditors to satisfy themselves that an appropriate governance structure is in place.

## COMPOSITION OF THE BOARD

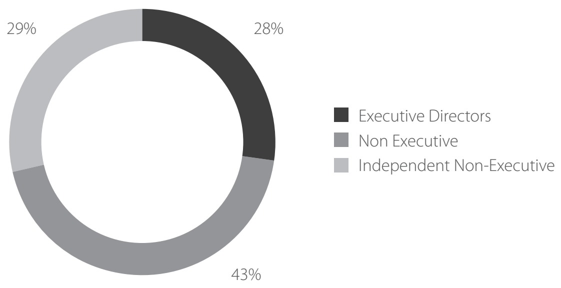
The composition of the Board is governed by the Company's Articles of Association as well as the Listing Rules of the Colombo Stock Exchange. The Board comprises seven (07) Directors who possess a broad range of skills and experience across a range of industries and functional areas. A detailed profile of each member of the Board appears on pages 8 to 11 of this Annual Report.

As at the reporting date, the Board comprised of two (02) Executive and five (05) Non-Executive Directors, three (03) of whom are Independent.

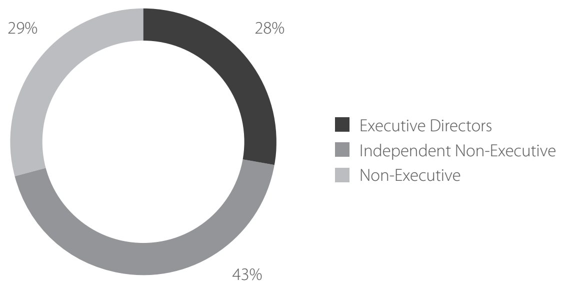
Composition of the Board and Shareholding as at 31 March 2026

| Name of the Director | Designation | Shareholding |
|---|---|---|
| Mr. S. P. S. Ranatunga | Chairman/ Independent Non-Executive Director | No |
| Mr. P. C. B Talwatte | Executive Director/Chief Executive Officer | Yes |
| Mr. S. M. A De Silva Sugathapala | Executive Director | Yes |
| Mr. R. G. Seneviratne | Non-Executive Director | Yes |
| Mr. S. A. Ameresekere | Non-Executive Director | No |
| Mr. P. L. P. Withana | Independent Non-Executive Director | No |
| Mr. P. N. Mahawatte | Independent Non-Executive Director | No |

**Company Board Composition FY 2025/26**




**Company Board Composition FY 2024/25**




## INDEPENDENCE OF DIRECTORS

Independence of the Directors have been determined in accordance with the Continuing Listing Rules of the CSE and three (03) Independent Non-Executive Directors have submitted signed declarations of their independence.

Based on declarations submitted by the Independent Non-Executive Directors, the Board has determined that, namely, Messrs S P S Ranatunga, P L P Withana and P N Mahawatte are "Independent Directors" in terms of Rule 9.8.3.

## APPOINTMENT OF DIRECTORS / RE-ELECTION OF DIRECTORS / APPOINTMENT OF DIRECTORS OVER 70 YEARS OF AGE

The Board is guided by the Nominations and Governance Committee which was formed on 30th September 2024 to make recommendations on the structure and composition of the Board, new appointments to the Board, re-election / re-appointment of Directors and on Board performance evaluation. The Company's Articles of Association requires any Director appointed during the year to hold office until the next Annual General Meeting, at which he retires and seeks re-election by the shareholders. One third of Directors retire by rotation at each Annual General Meeting and if eligible seek re-election by the shareholders. Directors over 70 years of age shall be appointed / re-appointed by the shareholders only.

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles of the Chairman and Executive Directors are separate with a clear distinction of responsibilities, which ensures balance of power and authority.

Mr. S P S Ranatunga who is an Independent Non-Executive Director is the Chairman of the Board of Directors, Mr P C B Talwatte functions as the Chief Executive Officer/Executive Director and Mr. S M A De Silva Sugathapala functions as an Executive Director.

## BOARD MEETINGS

The Board meets formally every quarter as a matter of routine. Ad hoc meetings are held as and when necessary to maintain regular communication to discuss relevant business issues and any other matter directed to the Board which can be resolved by circular resolution, is decided by Resolutions in writing.

The Board's functions include the assessment of the adequacy and effectiveness of internal controls, compliance with applicable laws and regulations, review of management and operational information, adoption of annual and interim accounts before they are published, review of exposure to key business risks, strategic direction of operational and management units, approval of annual budgets, monitoring progress towards achieving the budgets, approvals relating to key appointments, sanctioning major capital expenditure etc.

## BOARD SUB COMMITTEES

The Board of Directors has formed four Sub Committees in compliance with the Listing Rules of the Colombo Stock Exchange and the Code of Best Practice on Corporate Governance.

The Report of the Related Party Transactions Review Committee is appearing on pages 57.

The Report of the Remuneration Committee is appearing on page 58.

The Report of the Nominations and Governance Committee is appearing on pages 59 to 60.

The Report of the Audit Committee is appearing on pages 61 to 62.

## MEETINGS OF BOARD SUB COMMITTEES

The Audit Committee and Related Party Transactions Review Committee meet quarterly with provision to schedule additional meetings if required. The Remuneration Committee meet as and when necessary. The Nominations and Governance Committee shall be held at least once every calendar year and as frequently as may be required.

### BOARD AND SUB COMMITTEE MEETING ATTENDANCE

| Name of the Director | Directorship Status | Age (Years) | Tenure on the Board (Years) | Date of Appointment | Board Meetings | NGCMs | ACMs | RCMs | RPTRCMs |
|---|---|---|---|---|---|---|---|---|---|
| Mr. S P S Ranatunga (Chairman) | INED | 61+ | 1+ | 17.12.2024 | 6/6 | 1/1 | 6/6 | | 4/4 |
| Mr. P C B Talwatte (Director/CEO) | ED | 62+ | 3+ | 15.11.2022 | 5/6 | | | | |
| Mr S M A De Silva Sugathapala | ED | 71+ | 2+ | 13.02.2024 | 6/6 | | | | |
| Mr. R G Seneviratne | NED | 60+ | 15+ | 21.02.2011 | 4/6 | | | | |
| Mr. S A Ameresekere | NED | 47+ | 12+ | 11.11.2013 | 6/6 | | | 1/1 | 4/4 |
| Mr. P L P Withana | INED | 65+ | 2+ | 03.05.2024 | 6/6 | | 6/6 | 1/1 | 4/4 |
| Mr. P N Mahawatte | INED | 59+ | 1+ | 17.12.2024 | 5/6 | 0/1 | 5/6 | 1/1 | |

* ED - Executive Director
* NED - Non-Executive Director
* INED - Independent Non-Executive Director
* NGCMs – Nominations and Governance Committee Meetings
* ACMs - Audit Committee Meetings
* RCMs - Remuneration Committee Meetings
* RPTRCMs - Related Party Transactions Review Committee Meetings

### OTHER DIRECTORSHIPS HELD BY THE DIRECTORS

The directorship status of each Director together with an analysis of their other directorships / key positions appear below: This illustrates that the other directorships in listed companies held by Directors are within the limit prescribed by the Board in terms of the Policy on Matters relating to the Board of Directors, namely maximum of 10 directorships in listed companies.

| No | Name of the Director | Total Directorships | Number of Board Seats held in Listed Companies including Hikkaduwa Beach Resort PLC | | Number of Board Seats held in Unlisted Companies | |
|---|---|---|---|---|---|---|
| | | | Executive Capacity | Non-Executive Capacity | Executive Capacity | Non-Executive Capacity |
| 1 | Mr. S P S Ranatunga (Chairman) | 8 | – | 4 | – | 4 |
| 2 | Mr. P C B Talwatte (Director/CEO) | 5 | 3 | – | 2 | – |
| 3 | Mr. S M A De Silva Sugathapala | 3 | 3 | – | – | – |
| 4 | Mr. R G Seneviratne | 4 | – | 3 | – | 1 |
| 5 | Mr. S A Ameresekere | 44 | 1 | 4 | 2 | 37 |
| 6 | Mr. P L P Withana | 11 | – | 7 | 2 | 2 |
| 7 | Mr. P N Mahawatte | 4 | – | 3 | – | 1 |

## DIRECTORS' RESPONSIBILITIES FOR THE PREPARATION OF THE FINANCIAL STATEMENTS

The Board of Directors accepts the responsibility for the preparation of the financial statements, maintaining adequate records for safeguarding the assets of the Company, and preventing and detecting fraud and/or other irregularities. The Board of Directors also confirm that the applicable Sri Lanka Accounting Standards have been adhered to, subject to any material departures being disclosed and explained in the note to the financial statements.

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

The Statement of Directors' Responsibilities for Financial Reporting is given on page 56 of this Report.

## COMPANY SECRETARY

P W Corporate Secretarial (Pvt) Ltd acts as the Company Secretary. The Company Secretary maintains minutes of all Board, Audit Committee, Related Party Transactions Review Committee, Remuneration Committee, Nominations and Governance Committee, meetings. The Company Secretary assists in ensuring the Board procedures are followed.

The Company Secretary is also responsible for timely circulation of information and papers related to Board and Sub - Committee meetings and advice on matters relating to corporate governance, Board procedures, rules and regulations. All Directors have access to the advice and services of the Company Secretary.

## INTERNAL CONTROL

The Board is responsible for ensuring that the Company has adequate and effective internal controls in place. The Board is responsible for the Company's internal controls. In this respect controls are established for safeguarding the Company's assets, making available accurate and timely information and imposing greater discipline on decision making. The process is strengthened by regular review by the Audit Committee on internal controls and procedures in the areas of finance, operations, human resources, and relevant legal and regulatory compliance.

## STAKEHOLDERS

The Board is conscious of its relationship with all stakeholders including the community within which it operates with sustainable and eco-friendly practices. The hotels enhance and uplift staff standards and morale through regular training and improved facilities. This facilitates improvement in service levels, thereby enriching guest experience. Satisfied guests, apart from providing repeat business, also act as ambassadors for the hotels.

## COMPLIANCE WITH LAWS AND REGULATIONS

All necessary steps have been taken by the Board and the Management to ensure compliance with all relevant laws and regulations. The services of Lawyers, Auditors and other Consultants are obtained whenever it is necessary, to provide assurance to the Board in this respect.

## COMPLIANCE REGARDING PAYMENTS

The Board of Directors confirm that all known statutory payments have been paid up to date and all retirement gratuities have been provided for in the financial statements. At the same time, all management fees and payments made to related parties have been reflected in the financial statements.

## GOING CONCERN

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

## CORPORATE DISCLOSURES AND SHAREHOLDER RELATIONSHIP

The Company is committed to providing timely and accurate disclosure of all price sensitive information, financial results and significant developments to all shareholders, the Colombo Stock Exchange and where necessary, to the general public. Shareholders are provided with Annual Report and, the Company disseminates to the market, Interim Financial Statements in accordance with the Listing Rules of the Colombo Stock Exchange.

The Company has adopted a Policy on Relations with Shareholders and Investors in compliance with the provisions of Rule 9.2.1 of the Listing Rules, which sets out the process for directing their inquiries and suggestions or questions to the Board of Directors through the Company website or by written requests forwarded through the Company Secretaries.

The Annual General Meeting provides a platform for shareholders to discuss and seek clarifications on the activities of the Company and its subsidiaries.

## COMPLIANCE

The Company has complied with Section 9 of the Listing Rules of the Colombo Stock Exchange on 'Corporate Governance'

# Corporate Governance

## COMPLIANCE WITH SECTION 9 OF THE LISTING RULES ISSUED BY THE COLOMBO STOCK EXCHANGE

| Listing Rule No. | Principle, compliance and implementation | Remark if any | Complied |
|---|---|---|---|
| 9.1.3 | Company shall publish a statement confirming the extent of compliance with the Corporate Governance Rules set out herein, in the Annual Report of the Entity. | | √ |
| 9.2.1 | The Company shall establish and maintain the following policies and disclose the fact of existence of such policies together with the details relating to the implementation of such policies by the Company, on its website.<br>a. Policy on the matters relating to the Board of Directors<br>b. Policy on Board Committees<br>c. Policy on Corporate Governance, Nominations and Re-election<br>d. Policy on Remuneration<br>e. Policy on Internal Code of Business Conduct and Ethics<br>f. Policy on Risk Management and Internal Controls<br>g. Policy on Relations with Shareholders and Investors<br>h. Policy on Environmental, Social and Governance Sustainability<br>i. Policy on Control and Management of Company Assets and Shareholder Investments<br>j. Policy on Corporate Disclosures<br>k. Policy on Whistleblowing<br>l. Policy on Anti-Bribery and Corruption | | √ |
| 9.2.2 | Any waivers from compliance with the Internal Code of business conduct and ethics or exemptions granted. | | Not Applicable |
| 9.2.3 | (i) List of policies in place as per Rule 9.2.1, with reference to website<br>(ii) Any changes to policies adopted | | √ |
| 9.2.4 | The Company has a process in place to make available policies referred in Rule 9.2.1 above, to shareholders upon a written request being made for any such Policy. | | √ |
| 9.3.1 | The Company shall ensure that the following Board Committees (at a minimum) are established and functioning effectively. The said Board Committees shall include;<br>a. Board Nominations and Governance Committee<br>b. Remuneration Committee<br>c. Audit Committee (To perform Audit and Risk Functions)<br>d. Related Party Transactions Review Committee | | √ |
| 9.3.2 | The Company shall comply with the composition, responsibilities and disclosures required in respect of the above Board Committees as set out in these Rules. | Refer Rules 9.11, 9.12, 9.13 & 9.14 below | √ |
| 9.3.3 | The Chairperson of the Board of Directors of the Company shall not be the Chairperson of the Board Committees referred to in Rule 9.3.1 above. | | √ |
| 9.4.1 | The Company shall maintain records of all resolutions and the following information upon a resolution being considered at any General Meeting of the Company. The Company shall provide copies of the same at the request of the Exchange and/or the SEC<br>a. The number of shares in respect of which proxy appointments have been validly made;<br>b. The number of votes in favour of the resolution;<br>c. The number of votes against the resolution; and<br>d. The number of shares in respect of which the vote was directed to be abstained. | | √ |
| 9.4.2 | a. The policy on effective communication and relations with shareholders and investors. | | √ |
| | b. The contact person for such communication. | Refer Inner back cover. | √ |
| | c. The policy on relations with shareholders and investors on the process to make all Directors aware of major issues and concerns of shareholders. | | √ |
| 9.5.1 | The Company shall establish and maintain a formal policy governing matters relating to the Board of Directors. | | √ |

| Listing Rule No. | Principle, compliance and implementation | Remark if any | Complied |
|---|---|---|---|
| 9.5.2 | Compliance with the Board Policy on "Matters relating to the Board of Directors" | | √ |
| 9.6.1 | The Chairperson of the Company shall be a Non-Executive Director and the positions of the Chairperson and CEO shall not be held by the same individual, unless otherwise a Senior Independent Director (SID) is appointed in terms of Rule 9.6.3 below. | Refer page 26 for Table on "Board and Sub Committee Meeting Attendance" in the Corporate Governance Report | √ |
| 9.6.2 | 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 within a period of one (01) month from the date of implementation of these Rules, or an Immediate Market Announcement if such date of appointment and/or combination of the said roles falls subsequent to the implementation of these Rules. | Chairman is an Independent Non-Executive Director, and there is a clear separation of duties between the roles of the Chairman and CEO. | Not Applicable |
| 9.6.3 | Report of SID demonstrating the effectiveness of duties. | There is a clear separation of duties between the roles of the Chairman and CEO.<br><br>Therefore, the requirement for the Company to appoint a SID does not arise. | Not Applicable |
| 9.6.4 | Rationale for appointing SID | There is a clear separation of duties between the roles of the Chairman and CEO.<br><br>Therefore, the requirement for the Company to appoint a SID does not arise. | Not Applicable |
| 9.7.1 | The Company shall take necessary steps to ensure that their Directors and the CEO are, at all times, fit and proper persons as required in terms of these Rules:<br><br>In evaluating fitness and propriety of the persons referred in these Rules, the Company shall utilise the 'Fit and Proper Assessment Criteria' set out in Rule 9.7.3. | | √ |
| 9.7.2 | The Company shall ensure that persons recommended by the Board Nominations and Governance Committee as Directors are fit and proper as required in terms of these Rules before such nominations are placed before the shareholders' meeting or appointments are made. | | √ |
| 9.7.3 | A Director or the CEO of the Company shall not be considered 'fit and proper' if she or he does not possess the fit and proper assessment criteria specified under "Honesty, Integrity and Reputation", "Competence and Capability" and "Financial Soundness" in Rule 9.7.3 (a), (b) and (c) respectively. | | √ |
| 9.7.4 | The Company shall obtain declarations from their Directors and CEO on an annual basis confirming that each of them have continuously satisfied the Fit and Proper Assessment Criteria set out Rule 9.7.3 during the financial year concerned and satisfies the said criteria as at the date of such confirmation. | | √ |

# Corporate Governance

| Listing Rule No. | Principle, compliance and implementation | Remark if any | Complied |
|---|---|---|---|
| 9.7.5 | (a) Statement on Directors and CEO satisfying Fit and Proper Assessment Criteria<br><br>(b) Any non-compliance/s and remedial action taken | All Directors have complied with and satisfied the Fit and Proper Assessment Criteria throughout the period under review. No instances of non-compliance were identified.<br><br>Profiles of the Board of Directors are given on pages 8 to 11. | √ |
| 9.8.1 | The Board of Directors of the Company, at a minimum, consist of five (05) Directors. | The Board of Directors of the Company consists of seven (7) Directors.<br><br>Profiles of the Board of Directors are given on pages 8 to 11. | √ |
| 9.8.2 | Minimum Number of Independent Directors<br><br>a. The Board of Directors of the Company shall include at least two (2) Independent Directors or such number equivalent to one third (1/3) of the total number of Directors of the Listed Entity at any given time, whichever is higher. | The Board has three (03) Independent Directors, which is well above the requirement.<br><br>Refer page 26 for Table on "Board and Sub Committee Meeting Attendance" in the Corporate Governance Report | √ |
| | b. Any change occurring to this ratio shall be rectified within ninety (90) days from the change. | There was no change to this ratio during the year. | |
| 9.8.3 | A Director shall not be considered independent if he/she does not fulfil the criteria defining under Rule 9.8.3 of the Listing Rules. | | √ |
| 9.8.4 | All the Independent Directors of the Company fulfil the criteria on independence as defined under Rule 9.8.3 of the Listing Rules. | | √ |
| 9.8.5 | Process in place for the determination of 'Independence' of the Directors<br><br>a. Each Director to submit a signed and dated declaration annually of his/her independence or non-independence. | | |
| | b. Names of Directors determined to be 'independent'. | Refer page 26 for Table on "Board and Sub Committee Meeting Attendance" in the Corporate Governance Report | √ |
| | c. Immediate market announcement to be made if the Board determines that the independence of an Independent Director has been impaired. | | |
| 9.9 | Requirements to be complied in relation to "Alternate Directors". | There are no Alternate Directors on the Board of the Company. | Not Applicable |

| Listing Rule No. | Principle, compliance and implementation | Remark if any | Complied |
|---|---|---|---|
| 9.10.1 | The Company shall disclose its policy on the maximum number of directorships its Board Members shall be permitted to hold in the manner specified in Rule 9.5.1. In the event such number is exceeded by a Director(s), the Entity shall provide an explanation for such non-compliance in the manner specified in Rule 9.5.2 above. | As per the Policy on matters relating to the Board of Directors, the maximum number of directorships the Board Members are permitted to hold is ten (10). | √ |
| 9.10.2 | The Company shall, upon the appointment of a new Director to its Board, make an immediate Market Announcement setting out the brief resume of such Director, his/her capacity of directorship and, Statement by the Entity indicating whether such appointment has been reviewed by the NGC of the Company. | | √ |
| 9.10.3 | The Company shall make an immediate Market Announcement regarding any changes to the composition of the Board Committees referred to in Rule 9.3 above containing, at minimum, the details of changes including the capacity of directorship with the effective date thereof. | | √ |
| 9.10.4 | Directors details<br><br>a. name, qualifications and brief profile | Profiles of the Board Members are given on pages 8 to 11. | √ |
| | b. nature of his/her expertise in relevant functional areas | | |
| | c. whether either the Director or Close Family Members has any material business relationships with other Directors | Refer page 26 for Table on “Other Directorships held by the Directors” in the Corporate Governance Report | |
| | d. whether Executive, Non-Executive and/or Independent Director | | |
| | e. total number and names of companies in Sri Lanka in which the Director concerned serves as a Director and/or KMP stating whether listed or unlisted, whether functions as Executive or Non-Executive (If the directorships are within the Group names need not be disclosed) | | |
| | f. number of Board meetings attended | | |
| | g. names of Board Committees in which the Director serves as Chairperson or a member | | |
| | h. Attendance of Board Committee meetings | Refer page 26 for Table on “Board and Sub Committee Meeting Attendance” in the Corporate Governance Report | |
| | i. Terms of Reference and powers of SID | | Not Applicable |
| 9.11 | Nominations and Governance Committee (NGC) | | |
| 9.11.1 | The Company has a NGC that conforms with the requirements. | | √ |
| 9.11.2 | The Company shall establish and maintain a formal procedure for the appointment of new Directors and re-election of Directors to the Board through the NGC. | Refer Report of the NGC on pages 59 to 60. | √ |
| 9.11.3 | The NGC shall have a written Terms of Reference clearly defining the scope, authority, duties and matters pertaining to the quorum of meetings | Refer Report of the NGC on pages 59 to 60. | √ |
| 9.11.4 | Composition of the NGC<br>1) The members of the NGC shall;<br>a. comprise of a minimum of three (03) Directors of the Listed Entity, out of which a minimum of two (02) members shall be Independent Directors of the Listed Entity.<br>b. not comprise of Executive Directors of the Listed Entity. | Refer the Composition of the NGC given on page 59. | √ |
| | 2) An Independent Director shall be appointed as the Chairperson of the BNGC by the Board of Directors. | | |
| | 3) The Chairperson and the members of the NGC shall be identified in the Annual Report of the Listed Entity. | | |

| Listing Rule No. | Principle, compliance and implementation | Remark if any | Complied |
|---|---|---|---|
| 9.11.5 | The functions of the NGC | Refer the Report of the NGC on pages 59 to 60. | √ |
| 9.11.6 | NGC Report<br>a. Names of Chairperson and Members with nature of directorship.<br>b. Date of appointment to the Committee.<br>c. Availability of documented policy and processes when nominating Directors.<br>d. Requirement of re-election at regular intervals at least once in 3 years.<br>e. Board diversity.<br>f. Effective implementation of policies and processes relating to appointment and reappointment of Directors.<br>g. Details of Directors re-appointed.<br>h. Performance of periodic evaluation of Board.<br>i. Process adopted to inform Independent Directors of major issues.<br>j. Induction/orientation programs for new Directors on Corporate Governance, Listing Rules, securities market regulations or negative statement.<br>k. Annual update for all Directors on Corporate Governance, Listing Rules, securities market regulations or negative statement.<br>l. Compliance with independence criteria.<br>m. Statement on compliance with Corporate Governance rules, if non- compliant reasons and remedial actions. | Refer the Report of the Board Nominations and Governance Committee on pages 59 to 60. | √ |
| 9.12 | Remuneration Committee (RC) | | |
| 9.12.2 | The Company has a remuneration committee that conforms to the requirements. | | √ |
| 9.12.3 | The RC shall establish and maintain a formal and transparent procedure for developing policy on Executive Directors' remuneration and for fixing the remuneration packages of individual Directors. No Director shall be involved in fixing his/her own remuneration. | Refer "Directors' remuneration" on page 91 and Report of the RC given on pages 58. | √ |
| 9.12.4 | Remuneration for Non-Executive Directors should be based on a policy which adopts the principle of non-discriminatory pay practices among them to ensure that their independence is not impaired. | Refer "Directors' remuneration" on page 129 and Report of the RC given on pages 58. | √ |
| 9.12.5 | RC shall have a written Terms of Reference clearly defining its scope, authority, duties and matters pertaining to the quorum of meetings. | Refer the Report of the RC on pages 58. | √ |
| 9.12.6 | Composition of the RC<br>1) The members of the RC shall;<br>a. comprise of a minimum of three (03) Directors of the Listed Entity, out of which a minimum of two (02) members shall be Independent Directors of the Listed Entity.<br>b. not comprise of Executive Directors of the Listed Entity.<br>2) An Independent Director shall be appointed as the Chairperson of the RC by the Board of Directors. | Refer the composition of the Report of the RC on page 58. | √ |
| 9.12.7 | The functions of the RC | Refer the Report of the RC on pages 58. | √ |

| Listing Rule No. | Principle, compliance and implementation | Remark if any | Complied |
|---|---|---|---|
| 9.12.8 | RC Report<br>a. Names of chairperson and members with nature of directorship<br>b. Statement regarding the Remuneration Policy<br>c. The aggregate remuneration of the Executive and Non-Executive Directors. | Refer the Report of the RC on pages 58.<br>Refer Note 35. to the Financial Statements on pages 127 to 129. on "Related Party Disclosure" | √ |
| 9.13 | Audit Committee (AC) | | |
| 9.13.1 | Perform Audit and Risk functions specified in Rule 9.13.4 of the Listing Rules. | Currently there is no separate Risk Committee formed. The Board has decided to entrust the scope of the Risk Committee to the Audit Committee. There is a written Terms of Reference for the Audit Committee. | √ |
| 9.13.2 | The AC shall have a written Terms of Reference clearly defining its scope, authority and duties. | The AC has a written Terms of Reference clearly defining its scope, authority and duties.<br>Refer Report of the AC on pages 61 to 62. | √ |
| 9.13.3 | 1) The members of the AC shall;<br>a. comprise of a minimum of three (03) directors of the Listed Entity, out of which a minimum of two (02) or a majority of the members, whichever higher, shall be Independent Directors.<br>b. not comprise of Executive Directors of the Listed Entity.<br>2) The quorum for a meeting of the AC shall require that the majority of those in attendance to be Independent Directors.<br>3) The AC may meet as often as required provided that the BAC compulsorily meets on a quarterly basis prior to recommending the financials to be released to the market.<br>4) An Independent Director shall be appointed as the Chairperson of the BAC by the Board of Directors.<br>5) Unless otherwise determined by the AC, the CEO and the Chief Financial Officer (CFO) of the Listed Entity shall attend the AC meetings by invitation. Provided however where the Listed Entity maintains a separate Risk Committee, the CEO shall attend the Risk Committee meetings by invitation.<br>6) The Chairperson of the AC shall be a Member of a recognised professional accounting body. Provided however, this Rule shall not be applicable in respect of Risk Committees where a Listed Entity maintains a separate Risk Committee and Audit Committee. | Refer the Report of the AC on pages 61 to 62. | √ |
| 9.13.4 | The functions of the AC | Refer the Report of the AC on pages 61 to 62 | √ |

| Listing Rule No. | Principle, compliance and implementation | Remark if any | Complied |
|---|---|---|---|
| 9.13.5 | Disclosures in the Annual Report<br>1) The Company shall prepare an AC Report which shall be included in the Annual Report<br>2) The AC Report contains the required disclosures. | Refer the Report of the AC on pages 61 to 62 | √ |
| 9.14 | Related Party Transactions Review Committee (RPTRC) | | |
| 9.14.1 | The Company shall have a RPTRC that conforms to the requirements set out in Rule 9.14. | The RPTRC of the Company conforms to the requirements | |
| 9.14.2 | Composition of the RPTRC<br>The RPTRC shall comprise of a minimum of three (03) Directors of the Listed Entity, out of which two (02) members shall be Independent Directors of the Listed Entity. It may also include Executive Directors, at the option of the Listed Entity. An Independent Director shall be appointed as the Chairperson of the Committee. | Refer the Report of the RPTRC on pages 57. | √ |
| 9.14.3 | Functions of the RPTRC | Refer the Report of the RPTRC on pages 57 | √ |
| 9.14.4 | General Requirements<br>1. The RPTRC shall meet at least once a calendar quarter. It shall ensure that the minutes of all meetings are properly documented and communicated to the Board of Directors.<br>2. The members of the RPTRC should ensure that they have, or have access to, enough knowledge or expertise to assess all aspects of proposed Related Party Transactions, and where necessary, should obtain appropriate professional and expert advice from an appropriately qualified person.<br>3. Where necessary, the Committee shall request the Board of Directors to approve the Related Party Transactions which are under review by the Committee. In such instances, the approval of the Board of Directors should be obtained prior to entering into the relevant Related Party Transaction.<br>4. If a Director of the Listed Entity has a material personal interest in a matter being considered at a Board Meeting to approve a Related Party Transaction as required in Rule 9.14.4(3), such Director shall not:<br>a. be present while the matter is being considered at the meeting; and,<br>b. vote on the matter. | Refer the Report of the RPTRC on pages 57 | √ |
| 9.14.5 | Review of Related Party Transactions by the RPTRC | Refer the Report of the RPTRC on pages 57 | √ |
| 9.14.6 | Shareholder Approval<br>The Company shall obtain shareholder approval by way of a Special Resolution for specified Related Party Transactions. | The RPTs policy of the Company provides for obtaining shareholder approval by way of a Special Resolution for specified transactions.<br><br>There were no RPTs during the year which required Shareholder approval. | √ |

| Listing Rule No. | Principle, compliance and implementation | Remark if any | Complied |
|---|---|---|---|
| 9.14.7 | The Company shall make an immediate Market An-nouncement to the CSE on RPTs as specified under (a) and (b). | There were no RPTs during the year, which required immediate Market Announcement.<br><br>The RPTs policy of the Company provides for making an immediate Market Announcement to the CSE for RPTs falling under the above category. | √ |
| 9.14.8(1) | Related Party Disclosures<br>Non-recurrent RPT exceeding 10% of the Equity or 5% of the Total Assets, whichever is lower (in the specified format). | Refer Note 35 to the Financial Statements on "Related Party Disclosure" on page 127. | √ |
| 9.14.8(2) | Recurrent RPT exceeding 10% of the gross revenue/income | Refer Note 35 to the Financial Statements on "Related Party Disclosure" on page 127. | √ |
| 9.14.8(3) | RPTRC Report<br>a. Names of the Directors of the Committee<br>b. Statement that the Committee has reviewed RPTs and communicated comments/ observations to the Board<br>c. Policies and procedures adopted by the Committee | Refer the Report of the RPTRC on pages 57 | √ |
| 9.14.8(4) | Affirmative declaration by the Board of Directors on compliance with RPT Rules or negative statement to that effect. | Refer the Annual Report of the Board of Directors on page 54. | √ |
| 9.14.9 | Acquisition and Disposal of assets from/ to Related Parties<br>Except for transactions set out in Rule 9.14.10, the Company shall ensure that neither the Company nor any of its subsidiaries, acquires a substantial asset from, or disposes of a substantial asset, to any Related Party of the Entity without obtaining the approval of the shareholders of the Entity by way of a Special Resolution. | During the year, there were no acquisition/disposal of substantial assets from/to Related Parties. | √ |
| 9.16 | Additional disclosures by the Board of Directors – Declaration on the following:<br>i. All material interests in contracts involving in the Company and have refrained from voting on matters in which they were materially interested<br>ii. Review of the internal controls covering financial, operational and compliance controls and risk management and obtained reasonable assurance of their effectiveness and successful adherence, and, if unable to make any of these declarations an explanation on why it is unable to do so;<br>iii. Made themselves aware of applicable laws, rules and regulations and are aware of changes particularly to Listing Rules and applicable capital market provisions;<br>iv. Disclosure of relevant areas of any material non-compliance with law or regulation and any fines, which are material, imposed by any government or regulatory authority in any jurisdiction where the Entity has operations. | Refer page 53. | √ |

## COMPLIANCE WITH REQUIREMENTS OF RULE 7.6 OF THE LISTING RULES OF THE COLOMBO STOCK EXCHANGE

| Listing Rule No. | Subject | Status | Reference |
|---|---|---|---|
| **7.6 Contents of Annual Report**<br>All listed entities must include in its Annual Reports and accounts, inter alia: | | | |
| i) | Names of persons who were directors of the entity during the year | Complied | Please refer page 50 |
| iii) | The names and the numbers of shares held by the 20 largest voting and non-voting shareholders and percentages | Complied | Please refer page 140 |
| iv) | The Public Holding percentage | Complied | Please refer page 139 |
| v) | A statement of each Director's holding and Chief Executive Officer's holdings in shares of the entity at the beginning and end of each year | Complied | Please refer page 140 |
| vi) | Information pertaining to material foreseeable risk factors of the entity | Complied | Please refer pages 47 to 49 |
| vii) | Details of material issues pertaining to employees and industrial relations of the entity | N/A | No material issues pertaining to employees and industrial relations. |
| viii) | Extents, locations, valuations and other number of buildings of the entity's land holding and investment properties | Complied | Please refer pages 101 to 104 |
| ix) | Number of shares representing the entity's stated capital | Complied | Please refer page 51 |
| x) | A distribution schedule of the number of holders in each class of equity security and the percentage of their total holdings in the specified categories | Complied | Please refer page 139 |
| xi) | Following ratios and market price information. | Complied | |
| | 1. Dividend per share | | Please refer page 136 |
| | 2. Dividend pay out | | Please refer page 136 |
| | 3. Net asset value per share | | Please refer page 136 |
| | 4. Market value per share<br>- highest and lowest values recorded during the financial year<br>- value as at the end of financial year | | Please refer page 136 & 139 |
| xii) | Significant changes in the entity or its subsidiary's fixed asset and the market value of land, if the value differs substantially from the book value | Complied | Please refer Note 12, 13 and 14 in the Financial statement on page 95 to 106 of this report |
| xiii) | If during the year the entity has raised funds either through a public issue, Rights Issue and private placement | Complied | Please refer page 112 |
| xiv) | Information in respect of Employee Share Ownership or Stock Option schemes | N/A | |
| xv) | Disclosure pertaining to Corporate Governance practices In terms of Section 9 of the Listing Rules | Complied | Please refer pages 24 to 46 |
| xvi) | Related Party Transactions exceeding 10% of the Equity or 5% of the total assets of the Entity as per Audited Financial Statements, whichever is lower | Complied | Please refer page 127 |

## COMPLIANCE WITH THE CODE OF BEST PRACTICES IN CORPORATE GOVERNANCE 2023

<table>
<tr><th>Corporate Governance Principal</th><th>Ref. to ICASL code</th><th>Compliance Status</th><th>Compliance Details</th></tr>
<tr><td>The Board</td><td>A.1</td><td>Compliant</td><td>Hikkaduwa Beach Resort PLC is headed by an effective board, which is responsible for the leadership, stewardship and governance of the Company. The Board of Directors comprises of,<br>• Two Executive Directors (ED)<br>• Three Non-Executive Independent Directors (NED/ID)<br>• Two Non-Independent Non-Executive Directors (NED/NID)</td></tr>
<tr><td>Board Meetings</td><td>A.1.1</td><td>Compliant</td><td>Six (06) Board Meetings were held during the year and the Company is compliant with the Code of Best Practice as the Board has met in every quarter of the financial year 2025/26. The Board meets as a practice as and when required. Agendas and papers are circulated in advance to enable informed deliberation at meetings and decisions are made by consensus. The Board met on key matters of importance to the Company, including the approval of strategic and operating plans, capital expenditure, financial statements by giving due attention to accounting standards and policies, ensuring compliance with legal and ethical standards, ensuring effective risk management and audit systems and addressing matters that have a material effect on the Company<br><br>Regularity of board meetings and the process of submitting information have been agreed and documented by the Board. Information reported on regular basis includes; but not limited to,<br>• Financial and operating results for each quarter.<br>• Key Performance Indicators.<br>• Financial Performance compared to previous periods and budgets.<br>• Forecasts for the future period.<br>• Statutory Compliance.<br>• Management Audit Report and Internal Audit Scope.<br>• Details of Related Party Transactions.<br>• Capital Expenditure Schedules</td></tr>
<tr><td>Board Responsibilities</td><td>A.1.2</td><td>Compliant</td><td>The Board of Directors of Hikkaduwa Beach Resort PLC bears the responsibility for providing strategic direction, achieving objectives, responsible corporate behaviour, risk management, utilisation of resources responsibly, for ensuring leadership through effective oversight and review, whilst setting the strategic direction and delivering sustainable shareholder value over the long term. The Board seeks to achieve this through setting out its strategy, monitoring its strategic objectives and providing oversight of its implementation by the management team. In establishing and monitoring its strategy, the Board considers the impact of its decisions on wider stakeholders including employees, suppliers and the environment. Effective Corporate Governance is central to the Group's ability to operate successfully, as a Board, we take seriously our responsibility for setting high standards of accountability & ethical behaviour. In performing its role, the Board is responsible for,<br><br>• Providing the leadership for formulation and implementation of an effective business strategy, by emphasising on sustainable development in Corporate Strategy, decisions and business activities, whilst ensuring all stakeholder interests are considered in corporate decisions. Also, approving budgets and major capital expenditure and establishing a process of monitoring and evaluating strategy implementation, budgets, plans and related risks.<br>• Ensuring that the CEO and the Management Team possesses sufficient skills, competencies, experience and knowledge to implement company strategies.<br>• Ensuring that the business practices are in compliance with the laws, regulations and Company's code of ethics.</td></tr>
</table>

# Corporate Governance

| Corporate Governance Principal | Ref. to ICASL code | Compliance Status | Compliance Details |
|---|---|---|---|
| | | | • Establishment of effective internal controls, risk management and business continuity practices, ensuring that the adoption of appropriate accounting policies and compliance with financial regulations and Establishment of a process for Corporate Reporting.<br>• Reviewing, monitoring and taking corrective action with regard to the achievement of the corporate strategies.<br><br>Key decisions are reserved for the Board's approval and are not delegated to management. These include matters relating to the Group's strategy, approval of major acquisitions, disposals, capital expenditure, financial results and overseeing the Group's systems of internal control, governance and risk management. The Board delegates certain responsibilities to the management, to assist it in carrying out its functions of ensuring independent oversight. |
| Compliance with Laws and access to Professional Advice | A.1.3 | Compliant | The Board acts in conformity with the laws of the country and the Board and the Audit Committee is tabled a compliance statement on statutory requirements on quarterly basis at the Board and Audit Committee meeting.<br><br>The Board of Directors are provided with the opportunity of seeking professional advice at the expense of the Company, whenever it is necessary; with regard to certain technical matters and other business affairs ensuring that the Directors possess sufficient knowledge and experience in making high quality and independent decisions. |
| Company Secretary | A.1.4 | Compliant | P W Corporate Secretarial (Pvt) Ltd. functions as Secretaries to the Board. They ensure that appropriate Board processes are adopted, Board procedures and applicable rules and regulations adhered to and details and documents are made available to the Directors and Senior Management for effective decision making at the meetings. Further Company Secretary acts as the mediator between Directors, Auditors and Sub-committees of the Board facilitating the communication and information flow among above parties. |
| Directors' Independence | A.1.5 Compliant | Compliant | The objectivity and independent judgment in all decisions of the Directors are established by ensuring that the Board acts unrestrictedly from undue influence of other parties or circumstances. |
| Adequate time and effort from Directors | A.1.6 | Compliant | Board of Directors dedicates adequate time and effort to discharge their duties and responsibilities owed to the Company. The Board papers are distributed to the Directors ahead of the meetings, providing the opportunity to call for additional information and clarifications before the meeting.<br><br>The Board has delegated the authority of directing the routine operations of the Company to the Executive Directors/CEO of the Company. |
| Call for resolution to be presented | A.1.7 | Compliant | A Director may and the secretary on the requisition of a Director shall, at any time summon a meeting of the Directors. |
| Training for Directors | A.1.8 | Compliant | Existing Directors are encouraged to improve their knowledge base and skills on a continuous basis and the newly appointed Directors are introduced to the Board and the Senior Management after induction sessions conducted on Governance Framework, Company's culture and values, business model and strategy, duties and responsibilities of the Directors, current laws and regulations applicable to the tourism and hotel industry and important matters that were discussed during prior meetings. |
| The Role of the Chairman and Chief Executive Officer (CEO) | A.2: & A.3 | Compliant | There is a clear separation between the role of the Chairman and the CEO, with regard to the duties and responsibilities ensuring a balance between the power and authority and that no one individual has unfettered powers of decision making. The Chairman has the authority over the Board proceedings whereas the CEO is in charge of the day-to-day operations of the Company.<br><br>The Chairman preserves the effective performance of the Board and facilitates the effective discharge of Board functions by ensuring that Board proceeding are carried out in proper manner. |

| Corporate Governance Principal | Ref. to ICASL code | Compliance Status | Compliance Details |
|---|---|---|---|
| Financial Acumen | A.4 | Compliant | The members of the Board are knowledgeable and experienced individuals who can provide guidance on matters of finance. All Directors possess qualifications and/or experience in accounting and finance. Please refer profiles of Directors on pages 8 to 11. |
| Board Balance | A.5 | Compliant | The Board comprises of two Executive Directors and five Non-Executive Directors out of which three are Independent Directors and two non-independent Directors ensuring that no individual or small group can dominate the Board's decisions. |
| Non-executive Directors with sufficient calibre | A.5.1 | Compliant | The present composition of the Board is at a healthy balance between executive expediency and independent judgment. The Board is comprised of experienced and influential individuals with diverse backgrounds and expertise. Their mix of skills and business experience is a major contributor to the proper functioning of the Board and its committees. The Non-executive Directors possess vast experience in business and strong financial acumen, through their membership on external boards, and thereby are able to assess the financial reporting systems and internal controls, review and suggests any changes in keeping with best practice. |
| Number of Independent Directors | A.5.2 | Compliant | The Board of Directors of the Company Comprises five Non-Executive Directors out of which three are Independent and this composition was maintained throughout the year. |
| Independence of Non-Executive Directors | A.5.3, A.5.4 & A.5.5 | Compliant | None of the Independent Directors have held executive responsibilities in their capacity as Independent Directors and have submitted declarations confirming their independence as at 31 March 2026 in accordance with Rule 9.8.3 of Section 9 of the Listing Rules of the Colombo Stock Exchange. The biographical details of the Directors are set out on pages 8 to 11 of this Report. |
| Alternative Director | A.5.6 | Not Applicable | This principal is not applicable as an Alternate Director has not been appointed during the financial period 2025/26. |
| Senior Independent Director | A.5.7 & A.5.8 | Not Applicable | This principal is not applicable as the Chairman is an Independent Non-Executive Director. |
| Interactions between the Chairman and Non-executive Directors | A.5.9 | Compliant | The Chairman holds meetings with the Non-Executive Directors, without the presence of the Executive Directors as and when necessary. |
| Minutes on Directors concerns | A.5.10 | Compliant | Any concerns of Directors on matters of the Company that cannot be unanimously resolved will be recorded in Board Minutes, as and when such concern arises. |
| Supply of Information | A.6 | Compliant | The Board is provided with timely information on a regular basis as well as ad hoc reports and information as and when it is requested from the management. |
| Provision of adequate information on a timely basis to the Board | A.6.1 & A.6.2 | Compliant | The minutes, agenda and the Board papers required for the Board meetings are provided to the Directors at least seven days before the meeting and management is obliged to provide the Board with relevant and timely information for effective decision making. Directors are also provided the opportunity to make enquiries from industry experts and professionals, senior management, auditors, central internal departments and the Company Secretary for further details and information as and when necessary. |
| Appointments to the Board | A.7 | Compliant | Hikkaduwa Beach Resort PLC has a formal and transparent procedure for the appointment of Directors to the Board. |
| Nomination Committee & annual assessment of Board composition | A.7.1 & A.7.2 | Compliant | The Company has a separate committee for nomination. During the year, the Committee critically evaluated the "quality" of the Board in terms of their qualifications, experience, independence and the value that can be added to the Company to effectively meet the demands of the Company. The Board is satisfied with its composition and the level of qualifications, knowledge and experience it possesses as a whole in order to meet strategic demands facing the Company. |

# Corporate Governance

| Corporate Governance Principal | Ref. to ICASL code | Compliance Status | Compliance Details |
|---|---|---|---|
| Disclosure of new Board Appointments | A.7.3 | Compliant | Shareholders must formally approve all new appointments at the first opportunity after their appointment, as provided by the Articles of Association of the Company; subsequently to the submission of a brief resume, nature of expertise, details about directorships in other companies, and the independence of a new Director, to the shareholders. |
| Re-election | A.8 | Compliant | One third of the Directors shall retire at each AGM and, if eligible, offer themselves for re-election. |
| Approval from shareholders for election and reelection of Directors | A.8.1 & A.8.2 | Compliant | All Directors including the Chairman over the age of seventy years and the Directors retiring by rotation in terms of the Articles of Association of the Company, submit themselves to be re-elected at the AGM to be held on the 24 September 2026 by the shareholders and the proposals for re-election are specified in Notice of Meeting section on page 141. |
| Resignation | A.8.3 | Compliant | Refer 'Appointment, Re-election and Resignation of Directors' in the Annual Report of the Board of Directors Page 50. |
| Appraisal of Board Performance | A.9 | Compliant | Performance of the Board is evaluated from time to time with at least once a year to ensure that responsibilities are satisfactorily discharged. Appraisal of Board performance is usually coordinated by the Company Secretary and overseen by the Chairman. |
| Annual appraisal of Board performance and declaration of basis of performance | A.9.1, A.9.2, A.9.3 & A.9.4 | Compliant | Every year, the performance review provides the opportunity to reflect on the effectiveness of Board activities, the extent of deliberations, the quality of decisions and each Director's performance and contribution. The Board appraises their own performance based on the following aspects:<br>• Strategic planning and risk management.<br>• Effectiveness of decision making.<br>• Succession planning.<br>• Composition, skills, balance, experience and diversity.<br>• Culture and quality of contributions.<br>• Resources of meetings, agenda planning and quality of information and papers.<br>• Corporate Governance, regulatory compliance and support.<br>• Evaluation of individual performance and scope of improvement.<br>• Committee effectiveness and communication to the Board. |
| Disclosure of information in respect of Directors | A.10 | Compliant | Information in respect of Directors is specified in the pages 8 to 11 of this Annual Report. |
| Appraisal of CEO | A.11 | Complied | Assessing the performance of the CEO is done annually. |
| Short, medium and long term objective and evaluation of CEO's performance | A.11.1 & A.11.2 | Complied | The Board sets out the short, medium and long term, financial and non-financial objectives at the commencement of each financial year, and evaluates the performance of the CEO in respect of the achievement of such set targets. |
| Remuneration Procedure | B.1 | Compliant | The Company has established a formal and transparent procedure for developing policy on executive and Directors' remuneration. |

| Corporate Governance Principal | Ref. to ICASL code | Compliance Status | Compliance Details |
|---|---|---|---|
| Remuneration Committee, its composition and access to professional advice on determining the remuneration of Executive Directors | B.1.1, B.1.2, B.1.3 & B.1.5 | | Hikkaduwa Beach Resort PLC has established a formal and transparent procedure for determining the remuneration packages of the Directors, by delegating the responsibility and the authority to a sub-committee of the Board.<br><br>The Remuneration Committee of the Company consists exclusively of Non-Executive Directors as prescribed by the Code of Best Practice, there are three (03) Non-Executive Directors, two (02) of whom are Independent.<br><br>The Group Head of Finance assists the committee by providing the relevant information and participating in the analysis and deliberations.<br><br>The Remuneration Committee consults the Chairman, where appropriate, on proposals relating to the remuneration of Executive Directors. Further the Remuneration Committee is provided the access to professional advice on such proposal whenever it is necessary.<br><br>The objective of the Remuneration Committee is to review and recommend the remuneration payable to the Executive Directors.<br><br>The Remuneration Committee met One (01) time during the financial year. |
| Executive Share Options | B.2.5 | Not Applicable | This section is not applicable to the Company as, there were no share option schemes in effect during the financial period under review. |
| Remuneration Policy | B.2.6 | Compliant | The details of the remuneration policy have been set out in the Remuneration Committee Report on page 58. |
| Compensation on early termination | B.2.7 & B.2.8 | Compliant | Compensation paid on early termination of Directors will be determined based on the initial contract/Articles of Association of the company, where the initial contract does not provide directions for compensation commitments. |
| Levels of remuneration for Non-executive Directors | B.2.9 / 2.10 | Compliant | Non-Independent Non-Executive Directors do not receive Directors' fees. None of the Non-Executive Directors receive any performance or incentive payments. |
| Disclosure of Remuneration | B.3 | Compliant | The remuneration to Directors is disclosed on page 129 under the note 35.4.1 as a part of the financial statements of this report. |
| Constructive use of the AGM and General Meetings | C.1 | Compliant | The Company uses the AGM to effectively communicate and enhance the relationship with shareholders. |
| Constructive use of the AGM and General Meetings | C.1.1 – C.1.5 | Compliant | The Shareholders have the right to voice their concerns to Board of Directors and exercise their votes at Annual General Meetings/ Extraordinary General Meetings of the Company. The notice of the meeting, a summary of the procedures governing the voting process at the meeting, and other relevant documents as required by the Companies Act No.07 of 2007 and Listing Rules of Colombo Stock Exchange are circulated to all the shareholders within the time frame stipulated in the relevant statutes. Separate resolutions shall be proposed for each substantially separate issue, including a resolution for the adoption of the report and the accounts. |
| Communication with Shareholders | C.2 | Compliant | The Board has implemented effective communication with shareholders. |
| Communication with Shareholders | C.2.1 – C.2.7 | Compliant | P W Corporate Secretarial (Pvt) Ltd. functions as Secretaries of the Company, and the shareholders are provided a channel to communicate with the Board/individual Directors effectively via the Company Secretaries and/or Group Head of Finance.<br><br>All matters in relation to shareholders should be communicated to the Company Secretary and/or Group Head of Finance.<br><br>The Company Secretary and/or Group Head of Finance shall maintain all correspondence with the shareholders and disseminate timely responses to the shareholders. |

| Corporate Governance Principal | Ref. to ICASL code | Compliance Status | Compliance Details |
|---|---|---|---|
| Major and Material Transactions | C.3 | Compliant | Refer the Annual Report of the board of directors of the affairs of the company on pages 50 to 55. |
| Balanced and understandable presentation of Financial Statements | D.1.1 | Compliant | The Board is responsible for the preparation of Financial Statements that gives a true and fair assessment of the Company's financial, position, performance and prospects, in accordance with the Companies Act No. 07 of 2007, Sri Lanka Financial Reporting Standards (SLFRS)/Sri Lanka Accounting Standards (LKAS) and listing rules of the Colombo Stock Exchange.<br><br>The Board is conscious of its responsibility to the Shareholders, the Government and the Society at large, in which it operates and is unequivocally committed to upholding ethical behaviour in conducting its business. The Board, through the Company's administrative and finance divisions, strives to ensure that the businesses of the Company and its subsidiaries comply with the laws and regulations of the country. |
| The Board's responsibility on interim and other price sensitive public reports and reports to regulators | D.1.2 | Compliant | The Board ensures that the Interim Financial Statements submitted to the CSE as per listing requirements and other public reports/ reports submitted regulators present a balanced and understandable assessment of Company's performance. |
| Directors' responsibility for preparation and presentation of Financial Statements | D.1.3 | Compliant | The Annual Report of the Directors as well as the Independent Auditors' Report declares the responsibility of the Board for the preparation and presentation of Financial Statements. The Consolidated Financial Statements of the Company were audited by Messrs Ernst and Young, Chartered Accountants. |
| Annual Report of the Directors | D.1.4 | Compliant | The Annual Report of the Board of Directors sets out the,<br>a. Compliance with laws and regulations.<br>b. Directors' Interests have been disclosed in accordance with the provisions in the Companies Act No. 07 of 2007.<br>c. Equitable treatment to shareholders.<br>d. Directors have complied with best practices of Corporate Governance.<br>e. Property, plant and equipment of the Company are reflected at their fair value.<br>f. Appropriateness of the Company's Internal Control system.<br>g. The business is a going concern. |
| Responsibility of the Board for preparation and presentation of Financial Statements and Statement of Internal Controls | D.1.5 | Compliant | The director's responsibility is stated on page 56 of the Annual Report. |
| Management Discussion Analysis | D.1.6 | Compliant | The "Management Discussion Analysis" of this Annual Report contains, among other issues;<br>Industry Review (Pages 21 to 22)<br>Risk Management (Pages 47 to 49)<br>Corporate Governance (Pages 24 to 46)<br>Stakeholder Relationships (Page 18 to 19)<br>Financial Performance (Page 14 to 15)<br>Prospects for the future (Page 15) |

| Corporate Governance Principal | Ref. to ICASL code | Compliance Status | Compliance Details |
|---|---|---|---|
| Serious loss of capital | D.1.7 | Not Applicable | This principal is not applicable as the net assets of the Company remained higher than 50% of the value of the Company's shareholders' funds during the period under review. |
| Disclosure of Related Party Transactions | D.1.8 | Compliant | The Related Party Transactions Review Committee, which is a subcommittee of the Board, is responsible for review and disclosure of Related Party Transactions.<br><br>**Related Party Transactions Review Committee**<br><br>The Related Party Transactions Review Committee consists of three Non-Executive Directors out of which two are Independent Non-Executive Directors. Please Refer Page 57.<br><br>The Group Head of Finance assists the committee by providing the relevant information and participating in the analysis and deliberations.<br><br>The objective of the Related Party Transactions Review Committee is to be consistent with the Code of Best Practices on Related Party transactions issued by the Securities & Exchange Commission.<br><br>A report of the Related Party Transactions Review Committee is given on page 57.<br><br>The Related Party Transactions Review Committee met four (4) times during the financial year.<br><br>The Company maintains a Directors' Interest Register and all Directors of the Company have disclosed their interests in other Companies, conforming to the provisions of the Companies Act No. 07 of 2007. Further all related party transactions in accordance with Sri Lanka Accounting Standard 24 (LKAS 24) - Related Party Transactions are disclosed under Note 35 to the Financial Statements. |
| Risk Management & Internal Controls | D.2 | Compliant | The Board assesses financial and other business risks faced by the Company on a quarterly basis at the Board meetings and determines the necessary safeguards and internal controls that should be designed and implemented in order to provide a reasonable assurance of achieving Company's objectives.<br><br>The Audit Committee is responsible to the Board for ensuring the effective operation of the system of internal controls to achieve objectives of the Company. |
| Effective System of Internal Controls & Risk Management Process | D.2.1 | Compliant | The Board is responsible for formulating and implementing appropriate systems of internal control for the company and in turn assessing its effectiveness. Any internal control system has its inherent limitations. The Board is aware of the inherent limitations and has taken appropriate steps to minimise same. |
| Disclosure on Risk Assessment and Mitigation | D.2.2 | Compliant | The Audit Committee Report and Risk Management Report set in pages 61 to 62 and 47 to 49 respectively explains the risk assessment procedure, including those that would threaten its business model, future performance, solvency and liquidity; and specific risk mitigation strategies. |
| Internal Audit Function & Audit Committee review of Internal Control System | D.2.3 & D.2.4 | Compliant | The Audit Committee oversees the Internal Audit requirement of the Company by agreeing on requirements when they arise and appoints internal auditors on a case by case basis on an agreed scope of work. Audit Committee reviews the performance and ensuring that the internal audit has sufficient and appropriate resources to perform their duties effectively and efficiently in maintenance of a sound risk management process and internal control system. |

# Corporate Governance

| Corporate Governance Principal | Ref. to ICASL code | Compliance Status | Compliance Details |
|---|---|---|---|
| Responsibilities of the Directors in maintaining a sound system of Internal Controls | D.2.5 | Compliant | The "Statement of Directors' Responsibility" on page 56 provides the declaration made by Directors accepting the responsibility to ensure that the Company is equipped with a sound system of internal controls. |
| Audit Committee | D.3 | Compliant | The Board has established a formal and transparent process of Financial Reporting, Internal Controls, Risk Management and maintaining a proper relationship with the Company's Auditors. |
| Composition and the Duties of the Audit Committee | D.3.1 & D.3.2 | Compliant | The Audit Committee comprises exclusively of Non-Executive Directors all three are Independent Non-Executive Directors. Please refer page 61.<br>The Audit committee focuses principally on assisting the Board to fulfil its duties by providing an independent and objective view of the financial reporting process, internal controls, risk review and the audit function.<br>The Audit Committee is assisted by the Internal Audit. Internal Controls have been designed to ensure transparency and good governance within the Company. The committee is responsible for the consideration and recommendation of External Auditors. A report of the Audit Committee is given on pages 61 to 62.<br>The Audit Committee met six (06) times during the year. |
| Disclosure of the names of the Audit Committee and the Audit Committee Report | D.3.3 | Compliant | The names of Directors in the Audit Committee are disclosed in page No 61 section and the manner of compliance with the Code of Best Practice by the Company is set out in the Audit Committee Report on pages 61 to 62 of the annual report. |
| Best Practices on Related Party Transactions | D.4 & D.4.1 | Compliant | The purpose of the Related Party Transactions Review Committee is to review all proposed Related Party Transactions other than those transactions explicitly exempted in conformity with the Listing Rules and LKAS 24 and to ensure that related parties are not granted "more favourable treatment ". |
| Related Party Transactions Review Committee | D.4.2 | Compliant | The Related Party Transactions Review Committee consists of three Non-Executive Directors of which two are Independent Non-Executive Director, Please refer page 57. |
| Effectiveness of the Related Party Transactions Review Committee | D.4.3 | Compliant | Refer the Related Party Transaction Review Committee Report for the purpose, responsibilities, authority, scope and objectives of Related Party Transaction Review Committee; set out in page 57. |
| Adoption of Code of Business Conduct & Ethics and Chairman's affirmation | D.5 – D.5.4 | Compliant | The Company has adopted a Code of Business Conduct and Ethics applicable to Directors and members of the Senior Management Team. The Chairman affirms the Company's compliance with the Code during the year under review. |

| Corporate Governance Principal | Ref. to ICASL code | Compliance Status | Compliance Details |
|---|---|---|---|
| Corporate Governance Disclosure | D.6 | Compliant | The Corporate Governance section of the annual report from pages 24 to 46 sets out the manner and extent to which the Company has adopted the principals and provisions of the Code of Best Practice on Corporate Governance.<br><br>The Company ensures that all shareholder rights are properly observed. Permanent procedures are carried out in line with the rules and regulations of the Colombo Stock Exchange, as well as the related laws. |
| Structured dialogue with shareholders | E.1.1 | Compliant | A regular and structured dialogue shall be conducted with shareholders and the outcome of such dialogue should be communicated to the Board by the Chairman. |
| Evaluation of governance disclosures by institutional investors | E.2 | Compliant | Institutional investors are being encouraged to consider the relevant factors drawn to their attention with regard to board structure and composition. |
| Investing/ Divesting Decision | F.1 | Compliant | Individual shareholders are encouraged to carry out adequate analysis and seek professional advice when making their investment / divestment decisions. |
| Shareholder Voting | F.2 | Compliant | Individual shareholders are encouraged to participate and exercise their voting rights. |
| Board's responsibility on Cybersecurity | G.1 | Compliant | The Board regularly monitors the latest developments in the field of IT and conducts discussions on how such developments can be utilised to enhance the efficiency and the effectiveness of the hotel operations and to enhance the guest experience. Further, the Board investigates on cybersecurity risks that may affect the business. Additionally, IT General and Application controls have been designed and implemented to ensure the security of confidential information. |
| Chief Information Security Officer (CISO) | G.2 | Compliant | The Board has appointed an IT Manager located at the Head Office who is in charge of Cybersecurity Risk Management. IT Manager is a qualified IT professional and possesses necessary competence to ensure the Cybersecurity. IT Manager provides necessary information with regard to Cybersecurity and is responsible for the development of IT Budget and Risk Management policies of the Company, which will subsequently be evaluated and approved by the Board to be implemented. |
| Board meeting agenda for discussions on cyber risk management. | G.3 | Compliant | Relevant risks are set out in the Internal Audit Report and same is reported to the Audit Committee. High risk matters are referred to the Board for further actions. |
| Effectiveness of the Cybersecurity Risk Management System | G.4 | Compliant | An Annual Information Risk Management audit is carried out by an independent third party, and identified issues are reported through the Management Letter. |
| Disclosure on Cybersecurity Risk Management | G.5 | Compliant | Cybersecurity risks are monitored through IT controls, internal audit reviews and an annual independent Information Risk Management audit, with significant matters reported to the Audit Committee and Board. |
| Environment, Society and Governance | H | Compliant | The Company has a policy on an Environment, Social and Governance Policy |

**STATEMENT OF COMPLIANCE UNDER SECTION 168 OF COMPANIES ACT NO. 7 OF 2007**

| Principal | Description | Comment | Compliance Status |
|---|---|---|---|
| Section 168 – Contents of Annual Report | | | |
| (1) (a) | The nature of the business of the Group and the Company together with any change thereof during the accounting period | Notes to the Financial Statements | Complied |
| (1) (b) | Signed Financial Statements of the Group and the Company for the accounting period completed | Financial Statements | Complied |
| (1) (c) | Auditors’ Report on the Financial Statements and any Group Financial Statements | Independent Auditors’ Report | Complied |
| (1) (d) | Change in accounting policies made during the accounting period | Notes to the Financial Statements | Complied |
| (1) (e) | Particulars of entries in the interests register made during the accounting period | Annual Report of the Board of Directors | Complied |
| (1) (f) | Remuneration and other benefits of Directors during the accounting period | Notes to the Financial Statements | Complied |
| (1) (g) | Total amount of donations made by the Company during the accounting period | Annual Report of the Board of Directors | Complied |
| (1) (h) | Names of the persons holding office as Directors of the Company as at the end of the accounting period and the names of any persons who ceased to hold office as Directors of the Company during the accounting period | Annual Report of the Board of Directors | Complied |
| (1) (i) | Amounts payable by the Company to the person or firm holding office as Auditor of the Company as audit fees and as a separate item, fees payable by the Company for other services provided by that person or firm | Notes to the Financial Statements | Complied |
| (1) (j) | Particulars of any relationship (other than that of Auditor) which the Auditor has with or any interests which the Auditor has in, the Company or any of its subsidiaries | Annual Report of the Board of Directors | Complied |
| (1) (k) | Be signed on behalf of the Board by two Directors of the Company | Financial Statements Complied | Complied |

# Risk Management

The leisure sector is exposed to a broad range of internal and external factors, including changes in travel demand, economic conditions, geopolitical developments, competition, environmental events and operational disruptions among others. These factors can have broad-ranging impacts on occupancy, revenue, costs and the overall guest experience. Effective risk management is therefore essential to protect the Resort's operations, support informed decision-making and preserve long-term value.

## RISK GOVERNANCE STRUCTURE

As the apex governing body, the Board holds overall responsibility for overseeing the Resort's risk management framework and ensuring that material risks are managed within acceptable parameters. Management supports the Board by monitoring the Resort's risk exposure, implementing appropriate controls and escalating significant matters for consideration. Department heads and their teams are responsible for identifying and managing risks arising within their areas of purview, while broader external risks, including economic, geopolitical, regulatory and industry developments are monitored with the support of the Head Office team.

## THREE LINES MODEL

The Resort applies the globally accepted Three Lines Model to establish clear responsibility for managing risk and providing assurance. This is illustrated below:

**FIRST LINE OF DEFENCE**

Operational and functional teams own and manage the risks arising from their activities. They are responsible for implementing controls, monitoring day-to-day performance and escalating matters that may affect the Resort's objectives, operations or guest experience.

**SECOND LINE OF DEFENCE**

Management and relevant Head Office functions provide guidance and oversight to support consistent risk management across the Resort. They monitor key risk exposures, review the adequacy of controls and assist operational teams in responding to risks.

**THIRD LINE OF DEFENCE**

Internal Audit provides independent assurance over the effectiveness of the Resort's internal controls. Findings and recommendations are communicated to the Audit Committee and Board of Directors with corrective actions monitored through established follow-up processes.

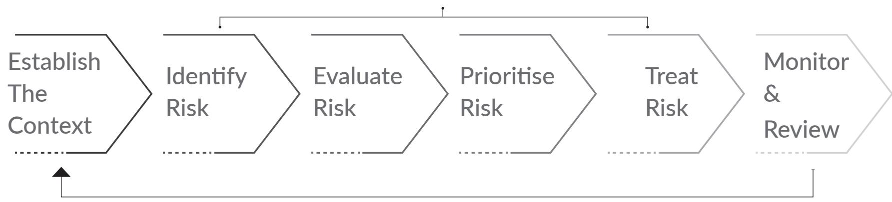
## RISK MANAGEMENT PROCESS

The Company's risk management process is set out below. Risk identification is facilitated through operational reviews, internal control assessments, incident reporting and consideration of wider external developments. Resort management undertakes this assessment with support from the relevant Head Office functions.

Each risk is subsequently evaluated based on its likelihood of occurrence and its potential impact on the Resort. Impact is considered across a range of dimensions including financial performance, guest experience, employee and guest safety, regulatory compliance and reputation. Likelihood and impact are each scored on a scale of 1 to 3. The ratings presented reflect the residual risk exposure after considering the effectiveness of existing controls and mitigation measures.

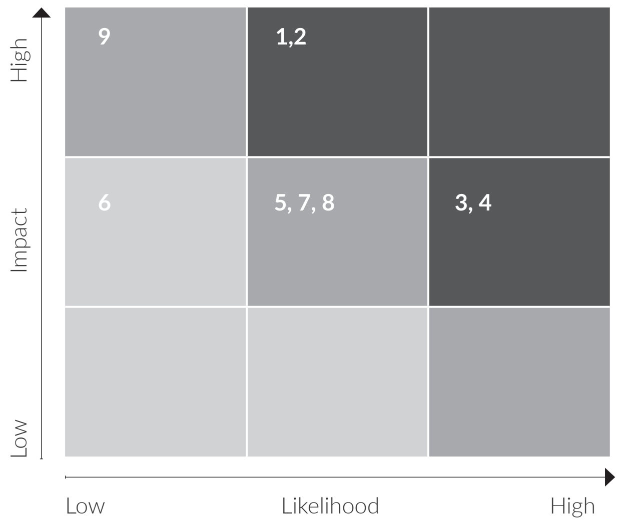
Risk ratings are reviewed periodically, with movement against the previous assessment used to identify emerging risks and changes in exposure. Management attention is directed according to the assessed level of residual risk, while all identified risks continue to be monitored through established controls.

**RISK ASSESSMENT**




## PRINCIPAL RISKS IN 2025/26

The organisation's risk heat map for the year and descriptions of each risk are presented below.



# Risk Management

| (1) Geoeconomic instability and travel advisories | | |
|---|---|---|
| Description and impact | Risk Rating | |
| Geoeconomic instability and related travel advisories remained an important external risk during the year. Travel insurance limitations and reduced traveller confidence may contribute to cancellations and weaker demand from certain source markets. Looking ahead, continued geopolitical tensions and uncertainty across key source markets may continue to affect travel demand and booking patterns, although diversification across source markets and active revenue management help reduce the Resort's exposure to any single market. | **Impact: High** | **Likelihood: Medium** |
| | **Mitigation actions**<br>• Diversification of customer base across international, domestic, corporate and group segments to reduce dependence on any single source market.<br>• Adjust room rates dynamically based on demand, seasonality and market conditions to optimise occupancy and revenue.<br>• Review the sales pipeline regularly to monitor booking trends, identify emerging gaps and redirect sales efforts towards markets and channels with stronger demand potential. | |

| (2) Liquidity risk | | |
|---|---|---|
| Description and Impact | Risk Rating | |
| Delays in customer collections, together with debt servicing commitments, supplier payments and capital expenditure requirements, may place pressure on the Resort's liquidity. This could constrain its ability to meet obligations when due and fund essential operational and investment needs. | **Impact: High** | **Likelihood: Medium** |
| | **Mitigation actions**<br>• Monitor daily cash positions to identify potential funding gaps.<br>• Maintain a rolling 13-week cash flow forecast to anticipate liquidity requirements.<br>• Prioritise payments based on operational urgency and contractual obligations. | |

| (3) Margin pressure from escalating costs | | |
|---|---|---|
| Description and Impact | Risk Rating | |
| Rising food and beverage, utility, payroll and supplier costs continued to place pressure on the Resort's operating margins. Competitive market conditions may limit the extent to which increases in operating costs can be passed on through room rates, requiring continued focus on pricing, procurement and cost discipline. | **Impact: Medium** | **Likelihood: High** |
| | **Mitigation actions**<br>• Monitor costs across food and beverage, utilities, payroll and other key operating areas.<br>• Strengthen procurement controls through supplier evaluation, competitive quotations and approval procedures.<br>• Review actual expenditure against budgets each month to identify and address significant variances | |

| (4) Staff turnover and skill gaps | | |
|---|---|---|
| Description and Impact | Risk Rating | |
| Staff turnover and skill gaps in property-level finance and operational functions may affect service consistency, internal controls and the accuracy and timeliness of management information. Prolonged vacancies in key positions could also affect operational efficiency and financial discipline. | **Impact: Medium** | **Likelihood: High** |
| | **Mitigation actions**<br>• Develop succession plans for critical roles to support leadership continuity and minimise operational disruption.<br>• Cross-train employees across key finance and operational functions to strengthen internal capability<br>• Align job descriptions and KPIs with current responsibilities, control requirements and expected performance outcomes. | |

| (5) Delayed collections and default risk | | |
|---|---|---|
| Description and Impact | Risk Rating | |
| Delays in collections from travel agents, corporate clients and event customers may affect working capital and increase exposure to credit losses. Extended credit periods, customer disputes or defaults may delay recovery or result in the non-recovery of amounts due. | **Impact: Medium** | **Likelihood: Medium** |
| | **Mitigation actions**<br>• Review debtor ageing regularly to identify overdue balances and emerging collection risks.<br>• Establish and monitor customer credit limits based on creditworthiness and payment history.<br>• Escalate overdue accounts through structured follow-up, suspension of further credit and management or legal action where necessary. | |

| (6) Refurbishment and capital-project execution | | |
|---|---|---|
| Description and Impact | Risk Rating | |
| Property enhancement and capital projects may expose the Resort to cost overruns, implementation delays, operational disruption and the risk that capital expenditure may take longer than expected to generate the anticipated commercial returns. Following the completion of the major property enhancement programme after year end, the residual exposure relating to project execution has reduced. | **Impact: Medium** | **Likelihood: Low** |
| | **Mitigation actions**<br>• Establish detailed project plans with defined timelines, budgets, responsibilities and delivery milestones<br>• Monitor project costs and progress regularly against approved schedules and budgets<br>• Phase refurbishment work to minimise disruption to room availability, guest experience and revenue | |

| (7) Guest experience and reputational risk | | |
|---|---|---|
| Description and Impact | Risk Rating | |
| Inconsistent service delivery, gaps in facility maintenance or failure to meet guest expectations may lead to complaints and negative online reviews. | **Impact: Medium** | **Likelihood: Medium** |
| | **Mitigation actions**<br>• Monitor guest feedback, complaints and online reviews to identify recurring service gaps.<br>• Conduct regular service-quality and facility inspections across the property.<br>• Provide continuous technical, service and guest-engagement training. | |

| (8) Destination positioning risk | | |
|---|---|---|
| Description and Impact | Risk Rating | |
| The Resort's growth partly depends on maintaining and strengthening Hikkaduwa's attractiveness as a distinctive coastal tourism destination. Limited destination-level promotion, changing traveller preferences and increasing competition within the destination could restrict the Resort's ability to attract higher-value visitors and maximise guest expenditure. | **Impact: Medium** | **Likelihood: Medium** |
| | **Mitigation actions**<br>• Collaborate with tourism authorities and industry partners to promote Hikkaduwa as a distinctive coastal destination.<br>• Develop differentiated beach, marine, dining, entertainment and activity-based experiences aligned with Hikkaduwa's destination character.<br>• Strengthen the Resort's positioning through targeted marketing, digital distribution and partnerships with travel operators. | |

| (9) Climate-related physical risks | | |
|---|---|---|
| Description and Impact | Risk Rating | |
| Extreme weather events, while relatively infrequent, may have a significant impact on property and infrastructure, disrupt operations and affect guest safety and access to the Resort. Over the longer term, coastal erosion may affect the beachfront and increase maintenance and protective infrastructure requirements. | **Impact: High** | **Likelihood: Low** |
| | **Mitigation actions**<br>• Maintain emergency response and business continuity plans for extreme weather events.<br>• Monitor weather forecasts and coastal conditions to enable timely preventive action.<br>• Conduct regular inspections of drainage systems, buildings, beachfront areas and critical infrastructure. | |

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

The Board of Directors of Hikkaduwa Beach Resort PLC has pleasure in presenting to the shareholders their Annual Report on the affairs of the Company together with the Audited Financial Statements of the Company and the Consolidated Financial Statements of the Company and its subsidiary for the financial year ended 31 March 2026, conforming to all relevant statutory requirements.

This Report provides the information as required by the Companies Act, No. 07 of 2007, Listing Rules of the Colombo Stock Exchange and the recommended best practices.

## GENERAL

The Company was incorporated under the Companies Act, No.7 of 2007 as a Limited Liability Company on 23 February 2011. It obtained a listing for its shares on the Diri Savi Board of the Colombo Stock Exchange on 17 December 2012 and the name was changed to "Public Limited Company".

## PRINCIPAL ACTIVITIES

The principal activities of the Company are provision of food and beverage, lodging, and other hospitality industry related services.

Principal activities of the subsidiary are given in Note 2.2.1 to the Financial Statements on page 78

This Report together with the Financial Statements, reflect the state of affairs of the Company.

## REVIEW OF OPERATIONS

The management discussion and analysis covers the operations of the Company during the financial year under review on pages 12 to 17 and 21 to 22.

## FINANCIAL STATEMENTS

The complete Financial Statements of the Company and Consolidated Financial Statements of the Company and its subsidiary, duly signed by two Directors on behalf of the Board are given on pages 69 to 134.

## AUDITORS' REPORT

The Report of the Auditors on the Financial Statements of the Company and its subsidiary is given on pages 65 to 68.

## ACCOUNTING POLICIES

The accounting policies adopted by the Company in the preparation of Financial Statements are given on pages 77 to 89 and are consistent with those of the previous period.

## DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The Directors are responsible for the preparation of the Financial Statements of the Company and the Group, which reflect a true and fair view of the state of affairs.

A further statement in this regard is included on page 56.

## DIRECTORS

The names of the Directors who held office as at the end of the accounting period are given below and their brief profiles appear on pages 8 to 11.

### Executive Directors

Mr. P C B Talwatte (Chief Executive Officer)
Mr S M A De Silva Sugathapala

### Non-Executive Directors

Mr. R G Seneviratne
Mr. S A Ameresekere

## INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. S P S Ranatunga (Chairman)
Mr. P N Mahawatte
Mr. P L P Withana

## CHANGES IN THE DIRECTORATE OF THE COMPANY

There were no changes in the directorate during the period under review.

## RECOMMENDATION FOR RE-ELECTION OF DIRECTORS WHO RETIRE BY ROTATION

Mr S A Ameresekere retires by rotation in terms of Articles 88 and 89 of the Articles of Association and being eligible, consequent to review by the Nominations and Governance Committee, is recommended by the Board for re-election.

Mr Priya Chandana Bandara Talwatte, Executive Director/Chief Executive Officer of the Company by his letter dated 11th August 2026 has tendered his resignation from the office of Director/ Chief Executive Officer effective from 11th November 2026. The Board has accepted his resignation and approved the appointment of Mr Amadoruge Don Nirekshe Vincent Perera as the Group Chief Executive Officer – designate effective from 1st September 2026 to facilitate a smooth and orderly transition as recommended by the Nominations and Governance Committee at its meeting held on 12th August 2026.

### Directors of the Subsidiary Companies as at 31 March 2026 and the changes in the Directorate

#### Waskaduwa Beach Resort PLC

The Directors of Waskaduwa Beach Resort PLC as at 31 March 2026 consisted of the following:

Mr. S P S Ranatunga (Chairman)
Mr. P C B Talwatte
(Chief Executive Officer)
Mr. S M A De Silva Sugathapala
Mr. R G Seneviratne
Ms. V S F Amunugama
Mr. J M B Pilimatalawwe
Mr. S A Ameresekere
Mr. P L P Withana
Mr. P N Mahawatte

### Directors' Interests in Contracts or Proposed Contracts and Interest Register

The Company maintains an Interest Register in terms of the Companies Act No. 07 of 2007, which is deemed to form part and parcel of this Annual Report and is available for inspection upon request.

## DIRECTORS' REMUNERATION

The Company has adopted a Remuneration Policy and established a formal procedure for determination of remuneration of Directors including Executive Directors. No Director is involved in deciding his or her own remuneration.

The Directors' Remuneration is disclosed under Key Management Personnel compensation in Note 35.4 to the Financial Statements on page 129.

## INDEPENDENT AUDITORS

Messrs Ernst & Young, Chartered Accountants served as the Auditors of the Company during the year under review. The Auditors do not have any other relationship with the Company other than as Auditors of the Company who have also provided certain non-audit services.

A total amount of Rs. 3,889,964/- is payable by the Company to the Auditors for the year under review. Rs 1,775,000/- as audit fees and Rs 2,114,964/- as non-audit fees respectively.

The Auditors have expressed their willingness to continue in office. The Audit Committee at a meeting held on 24 August 2026 recommended that they be re-appointed as Auditors. A resolution to re-appoint the Auditors and to authorise the Directors to determine their remuneration will be proposed at the forthcoming Annual General Meeting.

## GROUP

The Auditor of the subsidiary company, Waskaduwa Beach Resort PLC is Messrs Ernst & Young, Chartered Accountants.

Details of payments to the said Auditors on account of audit fees and for permitted non audit services, are set out in Note 08 to the Financial Statements on page 91.

## INDEPENDENCE OF AUDITORS

Based on the declaration provided by Messrs Ernst & Young, Chartered Accountants and to the extent that the Directors are aware, the Auditors do not have any relationship with (other than that of the Auditor), or interest in, the Company, which in the opinion of the Board, may reasonably be considered 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 as at the reporting date.

## STATED CAPITAL

The Stated Capital of the Company as at 31 March 2026 was Rs. 5,526,201,686/- representing 542,663,531 ordinary shares. There were no changes in the Stated Capital of the Company during the year.

### Board of Directors and Relevant Interest in Shares

The Board consists of seven Directors, comprising of two (02) Executive Directors and five (05) Non-Executive Directors, three (03) of whom are Independent;

Directors Interest in the shares of the Company as at 31.03.2026 , 31.03.2025 were as follows:

| Name of the Director | No. of shares as at 31.03.2026 | No. of shares as at 31.03.2025 |
|---|---|---|
| Mr. S P S Ranatunga (Chairman) | Nil | Nil |
| Mr. P C B Talwatte (Director/CEO) | 9,523 | 9,523 |
| Mr S M A De Silva Sugathapala | 464,394 | 464,394 |
| Mr. R G Seneviratne | 212,749 | 212,749 |
| Mr. S A Ameresekere | Nil | Nil |
| Mr. P L P Withana | Nil | Nil |
| Mr. P N Mahawatte | Nil | Nil |

## SHAREHOLDERS

There were 4,545 shareholders registered as at 31 March 2026 (3,561 shareholders as at 31 March 2025). The details of distribution are given on page 139 of this Report.

## SHARE INFORMATION

### Distribution Schedule of Shareholding

Information on the distribution of shareholding and the respective percentages and analysis of shareholders are given on page 139 under Shareholders Information.

### Earnings, Dividends, Net Assets and Market Value of Shares

Information relating to earnings, dividend, net assets and market value per share are given on pages 3 and 136.

### Major Shareholders

Information on the twenty largest shareholders of the Company is given on page 140. under Shareholder Information.

### Public Holding

Information on public holding in terms of the Listing Rules is given on page 139 under Shareholder Information.

## EMPLOYMENT POLICY

The Company's employment policy is totally non-discriminatory which respects individuals and provides career opportunities irrespective of the gender, race or religion.

As at 31 March 2026, 149 persons were in employment (138 persons as at 31 March 2025).

There were no material issues pertaining to employees and industrial relations during the financial year.

## RESERVES

The reserves of the Group with the movements during the year are given in financial statements on pages 112.

## LAND HOLDINGS

The Group holds a freehold lands of 1,690.08 perches as stated in Note 13 to the Financial Statements.

## PROPERTY, PLANT & EQUIPMENT

Details and movements of property, plant and equipment are given in Note 13 to the Financial Statements on pages 95 to 103.

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

## INVESTMENTS
Details of the Company's quoted investments as at 31 March 2026 are given in Notes 21.1 to the Financial Statements on pages 111.

## MATERIAL FORESEEABLE RISK FACTORS
As part of the governance process, the Board on a continuous basis reviews and takes any measures and evaluates the internal controls and risks of the Company and takes any measures required to mitigate the Risk.

Risk Management objectives & policies are set out in Note 36 on pages 130 to 133.

## DONATIONS
During the year, neither the Company nor its subsidiary made any donations.

## DIVIDENDS
Directors do not recommend a dividend for the year under review.

## STATUTORY PAYMENTS
The Directors, to the best of their knowledge and belief are satisfied that all statutory payments due to the Government and in relation to the employees have been made up to date.

## RISK MANAGEMENT
An ongoing process is in place to identify and manage the risks that are associated with the business and operations of the Company. The Directors review this process through the Audit Committee.

Specific steps taken by the Company in managing the risks are detailed in the section on Risk Management on pages 47 to 49.

## CONTINGENT LIABILITIES
As disclosed in Note 34.2 to the Financial Statements on page 127., there were no contingent liabilities as at the reporting date.

## ENVIRONMENTAL PROTECTION
The Company and the Group make every endeavour to ensure compliance 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 the Group operate in a manner that minimises the detrimental effects on the environment within which the Company and the Group operate.

### Material Issues pertaining to Employees and Industrial Relations pertaining to the Company
No material issues pertaining to employees or industrial relations of the Company occurred during the year under review which required disclosure under Rule 7.6 (vii) of the Listing Rules.

## CORPORATE GOVERNANCE
The Board of Directors confirm that the Company is compliant with Corporate Governance Rules set out in Section 9 of the Listing Rules of the Colombo Stock Exchange.

The corporate governance of the Company is reflected in its strong belief in protecting and enhancing stakeholder value in a sustainable manner, supported by a sound system of policies and practices. Prudent internal controls ensure professionalism, integrity and commitment of the Board of Directors, Management and Employees.

The Corporate Governance Statement on pages 24 to 46 explains the measures adopted by the Company during the year.

### Policies in terms of Rule 9.2 of the Listing Rules
In terms of Rule 9.2.1 of the Listing Rules, the Company established, adopted and published on the Company website (www.citrusleisure.com) the following policies, ensuring adherence to best practices in corporate governance, ethical conduct, and regulatory compliance:

a) Policy on the matters relating to the Board of Directors

b) Policy on Board Committees

c) Policy on Corporate Governance, Nominations and Re-election

d) Policy on Remuneration

e) Policy on Internal Code of Business conduct and Ethics for all Directors and employees, including policies on trading in the Entity's listed securities

f) Policy on Risk Management and Internal controls

g) Policy on Relations with Shareholders and Investors

h) Policy on Environmental, Social and Governance Sustainability

i) Policy on Control and Management of Company Assets and Shareholder Investments

j) Policy on Corporate Disclosures

k) Policy on Whistleblowing

l) Policy on Anti-Bribery and Corruption

These Policies were subject to review by the relevant Sub Committees and there were no material changes to the policies during the year.

## FIT AND PROPER ASSESSMENT OF DIRECTORS
In terms of Rule 9.7.4 of the Listing Rules of the Colombo Stock Exchange, declarations were obtained from the Directors who confirmed that they have continuously satisfied the Fit and Proper Assessment Criteria set out in the Listing Rules during the Financial Year under review and as at the date of such declarations. These Declarations were placed before the Nominations and Governance Committee, and upon review by the Nominations and Governance Committee, where no member participated in decisions relating to his/her continuation, were then presented to the Board.

The Board determined that all Directors satisfy the fit and proper assessment criteria stipulated in the Listing Rules and qualify to continue as Directors in their respective capacities, subject to those who retire by rotation, being re-elected by the shareholders at the forthcoming Annual General Meeting.

## INDEPENDENCE OF DIRECTORS

The Board, based on the Declarations submitted by the Independent Directors declaring his/her independence against the criteria specified in Rule 9.8.3 of the Listing Rules and such other information available to the Board that could reasonably be constructed to have a bearing on the independence of such Directors, determined that the Three (3) Independent Directors namely Messrs S P S Ranatunga, P N Mahawatte and P L P Withana are 'Independent' in terms of the Listing Rules.

## POLICY ON RELATIONS WITH SHAREHOLDERS AND INVESTORS

The Company has established a process for effective communication and relations with shareholders and investors. Accordingly, the shareholders have access to the Company as set out in Inner back cover of this Annual Report.

## OTHER DIRECTORSHIPS HELD BY THE DIRECTORS

The Board, based on the recommendations of the Nominations and Governance Committee, and considering the time allocation required of the Directors for the Board related matters of the Company decided that a Director of the Company shall not hold more than ten (10) directorships in Listed Companies.

## POLICY ON MATTERS RELATING TO THE BOARD OF DIRECTORS

The Company has in terms of the above Policy, acted in compliance with the requirements set out in Rule 9.5.1 of the Listing Rules.

## ADDITIONAL DISCLOSURES BY/ PERTAINING TO DIRECTORS

### (i) Material Interests in Contracts involving the Company

The Directors have declared all material interests in contracts involving the Company in terms of the Companies Act and the Articles of the Association of the Company and have acted as prescribed therein, and where relevant have refrained from voting on matters in which they were materially interested.

### (ii) Material Business Relationships with each other

None of the Directors or close family members have any material business relationships with the other Directors of the Company.

### (iii) Other Directorships held by the Directors

Other Directorships held by Directors are disclosed on pages 9 to 11.

### (iv) Review of Internal Controls

The Directors have, through the Audit Committee, conducted a review of the Internal controls covering financial, operational and compliance control and risk management and thereby obtained reasonable assurance of their effectiveness and successful adherence therewith.

### (v) Applicable Laws Rules and Regulations

The Directors have made arrangements to make themselves aware of applicable laws, rules and regulations and are aware of the changes, particularly to Listing Rules and applicable capital market provisions.

There were no material non-compliance with law or regulation or any fines, which are material, imposed by any Government or regulatory authority in any jurisdiction where the Company has operations.

## BOARD MEETINGS

Six (06) Board Meetings of the Company were held during the year under review and the Directors' attendance at those Meetings is set out on page 26

## DELEGATION OF AUTHORITY

The Board has delegated the authority of the day to day management of the Company to the Chief Executive Officer who is responsible for delivering services according to the policies and the budgets approved by the Board.

## DELEGATION TO BOARD MEMBERS

The Board has delegated certain functions and duties to Sub Committees that comprises of Board members. The functions and duties of each Sub Committee namely, the Audit Committee, the Remuneration Committee and the Related Party Transactions Review Committee and Nominations and Governance Committee are detailed in the respective reports.

The Board is also encouraged to seek independent professional advice when necessary, at the Company's expense and also have access to the Company Secretary to obtain advice and services as and when necessary.

## APPRAISAL OF BOARD PERFORMANCE

The Board is aware that appraising their own performance periodically would enhance the understanding of individual performance of the Board as a whole. The Board members ensure that Board responsibilities are satisfactorily discharged.

## INTERNAL CONTROLS

The Board through delegation to the Audit Committee ensures that the Company maintains a sound system of Internal Controls to safeguard investments and Company's assets. Therefore, the Audit Committee conducts a review of the effectiveness of the Company's system of internal controls.

## MAJOR TRANSACTIONS

The Board of Directors is required to act in accordance with Section 185 of the Companies Act No. 07 of 2007 with regard to 'major transactions' as per the said Section 185. There were no major transactions entered into by the Company during the year.

## BOARD SUB COMMITTEES

Audit Committee, Remuneration Committee, Related Party Transactions Review Committee and a Nominations and Governance Committee function as Board sub committees, with Directors who possess the requisite qualifications and experience. The composition of the said committees is as follows:

## AUDIT COMMITTEE

The Audit Committee comprises of three (03) Non-Executive Directors, all of whom are Independent and the composition of the Committee is as follows:

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

**Mr. P L P Withana**
Independent Non-Executive Director

**Mr. S P S Ranatunga**
Independent Non-Executive Director

**Mr. P N Mahawatte**
Independent Non-Executive Director

The Report of the Audit Committee appears on pages 61 to 62.

### REMUNERATION COMMITTEE

The Remuneration Committee comprises of three (03) Non-Executive Directors, two (02) of whom are Independent and the composition of the Committee is as follows:

**Mr. P N Mahawatte Chairman**
Independent Non-Executive Director

**Mr. P L P Withana**
Independent Non-Executive Director

**Mr. S A Ameresekere**
Non-Executive Director

The Report of the Remuneration Committee appear on pages 58.

### RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

The Related Party Transactions Review Committee comprises of three (03) Non-Executive Directors, two (02) of whom are Independent and the composition of the Committee is as follows:

**Mr. P L P Withana Chairman**
Independent Non-Executive Director

**Mr. S P S Ranatunga**
Independent Non-Executive Director

**Mr. S A Ameresekere**
Non-Executive Director

The Report of the Related Party Transactions Review Committee appears on page 57.

### NOMINATIONS AND GOVERNANCE COMMITTEE

The Nominations and Governance Committee comprises of three (03) Non-Executive Directors, two (02) of whom are Independent and the composition of the Committee is as follows:

**Mr. P N Mahawatte Chairman**
Independent Non-Executive Director

**Mr. S P S Ranatunga**
Independent Non-Executive Director

**Mr. S A Ameresekere**
Non-Executive Director

The Report of the Nominations and Governance Committee appears on pages 59 to 60.

### CORPORATE SOCIAL RESPONSIBILITY

The Company continued its Corporate Social Responsibility Programmes, details of which are set out on page 13 of this Report.

### DECLARATION - COMPLIANCE WITH THE LISTING RULES ON RELATED PARTY TRANSACTIONS

In terms of Rule 9.14.8(4) of the Listing Rules, the Directors declare that the Company is in compliance with Rule 9.14 of the Listing Rules of the Colombo Stock Exchange pertaining to Related Party Transactions.

### NON-RECURRENT RELATED PARTY TRANSACTIONS – DISCLOSURE IN TERMS OF RULE 9.14.8 (1) OF THE LISTING RULES OF THE COLOMBO STOCK EXCHANGE

There were no non-recurrent related party transactions of which the aggregate value exceeded 10% of equity or 5% of total assets, whichever is lower, of the Group as per the latest Audited Financial Statements as at 31 March 2025. Accordingly, no additional disclosures are required in this Annual Report under Rule 9.14.8(1) of the Listing Rules of the Colombo Stock Exchange or the Code of Best Practices on Related Party Transactions issued under Section 13(c) of the Securities and Exchange Commission Act.

### RECURRENT RELATED PARTY TRANSACTIONS – DISCLOSURE IN TERMS OF RULE 9.14.8 (2) OF THE LISTING RULES OF THE COLOMBO STOCK EXCHANGE

Presented below are the recurrent related party transactions which requires additional disclosure in this Annual Report in terms of Rule 9.14.8 (2) of the Listing Rules of the Colombo Stock Exchange.

| Name of the Related Party | Relationship | Nature of the Transaction | Aggregate value of Related Party Transactions entered into during the Financial year | Aggregate value of Related Party Transactions as a % of net Revenue/ Income | Terms and conditions of the Related Party Transactions |
|---|---|---|---|---|---|
| Citrus Leisure PLC | Parent | Funds received / Interest accrued & other transactions | 200,284,397 | 11% | Normal commercial terms |

### SPECIAL BUSINESS

Special Business to be transacted at the Annual General Meeting - Amendments to the Articles of Association

The “Special Business” set out as Item 2 of the Notice of Annual General Meeting relates to amendments to the Articles of Association of the Company, as recommended by the Directors, to be adopted by way of a Special Resolution, including the insertion of a new sub-article, Article 121(iv), under the existing heading, ‘Alternate Directors’, to provide that the appointment of an Alternate Director shall be subject to the approval of the Board.

## EVENTS AFTER THE REPORTING DATE

No material events have occurred since the date of statement of financial position, which require adjustments to or disclosure in the financial statements.

## GOING CONCERN

The Directors have made an assessment of the Company’s ability to continue as a going concern and is satisfied that it has resources to continue in business for the foreseeable future.

## ANNUAL GENERAL MEETING

The Notice of the Fifteenth (15th) Annual General Meeting appears on page 141.

## ACKNOWLEDGEMENT OF THE CONTENT OF THE REPORT

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

This Annual Report is signed for and on behalf of the Board of Directors by

**S P S Ranatunga**
Chairman

**P C B Talwatte**
Director/CEO

**P W Corporate Secretarial (Pvt) Ltd**
Secretaries

28 August 2026
Colombo

# Statement of Directors' Responsibility for Financial Reporting

The following statement sets out responsibility of the Directors in relation to the Financial Statements of the Company and its subsidiary prepared in accordance with the provisions of the Companies Act No. 07 of 2007.

The responsibility of the Independent Auditor in relation to the Financial Statements is set out in the Report of the Auditors given on pages 65 to 68 of the Annual Report.

As per the provisions of sections 151, 153(1) and (2), 150(1) and 152(1) of the Companies Act No. 07 of 2007, the Directors are required to prepare Financial Statements for each financial year, which should give a true and fair view of the state of affairs of the Company and its subsidiary as at the reporting date and its profit or loss for the financial year then ended, ensure that they are completed within six months or such extended period as may be determined by the Registrar General of Companies, certified by the person responsible for the preparation of the Financial Statements that it is in compliance with the said Companies Act and dated and signed on behalf of the Board by two Directors of the Company.

In terms of Section 166(1) read together with Sections 168(1)(b) and (c) and Section 167(1) of the Companies Act, the Directors shall cause a copy of the aforesaid Financial Statements together with the Annual Report of the Board of Directors of the Company prepared as per Section 166(1) of the Companies Act to be sent to every shareholder not less than fifteen working days before the date fixed for holding the Annual General Meeting. The above obligation is discharged by the Directors by making available the Annual Report on the Company's official website and the Colombo Stock Exchange website in terms of Rule 7.5(b) of the Listing Rules of the Colombo Stock Exchange. As per the said Rule printed copies of the Annual Report will be made available to the shareholders on request.

In preparing the Financial Statements, the Directors are responsible to ensure that appropriate accounting policies have been selected and applied consistently, reasonable and prudent judgments and estimates have been made and all applicable accounting standards have been complied with.

The Directors are also required to ensure that the Company and its subsidiary have adequate resources to continue in operation to justify applying the going concern basis in preparing these Financial Statements.

Further, the Directors have a responsibility to ensure that the Companies within the Group maintain sufficient accounting records to disclose with reasonable accuracy, the financial position of the Company and the subsidiary.

Financial Statements prepared and presented in this Report have been prepared based on Sri Lanka Accounting Standards (SLFRS/LKAS) and are consistent with the underlying books of account and are in conformity with the requirements of Sri Lanka Accounting Standards, Companies Act No. 07 of 2007, Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 and the Listing Rules of the Colombo Stock Exchange.

The Directors have also implemented effective and comprehensive systems of internal control for identifying, recording, evaluating and managing the significant risks faced by the Company throughout the year, which is primarily handled through the Audit Committee.

The Directors have taken appropriate steps to ensure that the Company and its subsidiary maintain proper books of accounts and the financial reporting system is directly reviewed by the Directors at their regular meetings and also through the Board Audit Committee.

The Board of Directors also approves the Interim Financial Statements prior to their release following a review and recommendation by the Board Audit Committee.

The Board of Directors accepts responsibility for the integrity and objectivity of the Financial Statements presented in this Annual Report.

The Financial Statements of the Company and its subsidiary have been certified by the Group Head of Finance of the Company, the officer responsible for their preparation as required by the Section 152(1)(b) and they have also been signed by two Directors of the Company as required by Section 152(1)(c) of the Companies Act.

The Directors, to the best of their knowledge and belief, are satisfied and all statutory payments in relation to all relevant regulatory and statutory authorities, which were due and payable by the Company and its subsidiary as at the reporting date have been paid and where relevant, provided for.

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

By Order of the Board of
Hikkaduwa Beach Resort PLC

**P W Corporate Secretarial (Pvt) Ltd**
Secretaries

28 August 2026

# Report of the Related Party Transactions Review Committee

## COMPOSITION OF THE COMMITTEE

The Related Party Transactions Review Committee comprises of three (03) Non-Executive Directors, two (02) of whom are Independent and the current composition of the Committee is as follows:

| | | |
|---|---|---|
| Mr. P L P Withana | - Independent Non-Executive Director | - Chairman of the Committee |
| Mr. S P S Ranatunga | - Independent Non-Executive Director | - Member |
| Mr. S A Ameresekere | - Non-Independent Non-Executive Director | - Member |

## MEETINGS

The Committee met four times during the financial year under review. The members of the management attend the meetings upon invitation to brief the Committee on specific issues.

Member's Attendance at the Related Party Transactions Review Committee Meetings from 01.04.2025 to 31.03.2026 is as follows:

| Name of the Director | Meetings Attended |
|---|---|
| Mr. P L P Withana [from 30.09.2024 ] | 4/4 |
| Mr. S A Ameresekere [from 30.09.2024] | 4/4 |
| Mr. S P S Ranatunga [from 17.12.2024] | 4/4 |

The Chief Executive Officer and The Group Head of Finance also attended meetings by invitation. The Company Secretary functions as the Secretary to the Committee.

## THE ROLE AND RESPONSIBILITIES

The Related Party Transactions Review Committee ("the Committee") is tasked with reviewing all Related Party Transactions of the Company and ensuring that it complies with the Listing Rules of the Colombo Stock Exchange (CSE) and other relevant statutes and regulations. The Committee reviews and pre-approves all proposed non-recurrent Related Party Transactions of the Company. Further, the Committee reviews all recurrent Related Party Transactions on a quarterly basis and annually to ensure compliance with the limits and reporting guidelines specified by the Listing Rules of CSE.

## KEY ACTIVITIES OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE DURING THE FINANCIAL YEAR

- Review and pre-approve all non-recurrent related party transactions of the Company prior to approval by the Board of Directors.
- Review all related party transactions to ensure that they are in the best interests of the Company.
- Ensure that all reporting requirements of the CSE Listing Rules and other relevant statutes and regulations are met.
- Update the Board of Directors on the Related Party Transactions of the Company.
- Assess the adequacy of related party reporting systems along with the advice of the External Auditors.
- Ensure that all transactions with related parties are in the best interest of all shareholders and adequate transparency is maintained.
- Establish guidelines and policies for the management and reporting of related party transactions.

The Committee has reviewed all related party transactions during the period and has established that they are in the best interest of the Company and comply with all standards of best practice and reporting and communicated the comments/ observations to the Board of Directors.

The terms and conditions of Related party transactions carried out in the ordinary course of business is further detailed in Note 35

## POLICIES AND PROCEDURES

The Company maintains a Directors' Interest Register and all Directors of the Company have disclosed their interests in other Companies, conforming to the provisions of the Companies Act No. 07 of 2007.

Further all related party transactions are in accordance with Sri Lanka Accounting Standard 24 (LKAS 24) are disclosed under Note No. 35 to the Financial Statements.

## KEY MANAGEMENT PERSONNEL

The Key Management Personnel of the Company comprise the members of its Board of Directors and the Board of Directors of its parent company. The Committee ensures that no participants in the discussions of a related party transaction shall have a direct related party for that transaction. However, such persons may participate in the discussion for the sole purpose of providing information on such transactions

## COMMITTEE EVALUATION

The Board conducted the annual evaluation of the Committee during the year and the review concluded that the Committee continues to operate effectively.

## DECLARATION

A Declaration by the Board of Directors as an affirmative statement of the compliance and disclosure in accordance with the Listing Rules pertaining to related party transactions is given on page 54 of the Annual Report.

**P L P Withana**
Chairman - Related Party Transactions Review Committee

28 August 2026
Colombo

# Remuneration Committee Report

## COMPOSITION OF THE COMMITTEE

The Remuneration Committee comprises of three (03) Non-Executive Directors, two (02) of whom are Independent and the current composition of the Committee is as follows:

| | | |
|---|---|---|
| Mr. P N Mahawatte | - Independent Non-Executive Director | - Chairman of the Committee |
| Mr. P L P Withana | - Independent Non-Executive Director | - Member |
| Mr. S A Ameresekere | - Non-Executive Director | - Member |

## MEETINGS

The Committee met once during the financial year under review.

Member's Attendance at the Remuneration Committee Meetings from 01.04.2025 to 31.03.2026 is as follows:

| Name of the Director | Meetings Attended |
|---|---|
| Mr. P N Mahawatte [from 17.12.2024] | 1/1 |
| Mr. P L P Withana [from 17.12.2024] | 1/1 |
| Mr. S A Ameresekere [from 17.12.2024] | 1/1 |

The Chief Executive Officer and Group Head of Finance also attended to meetings by invitation. The Company Secretary functions as the Secretary to the Committee.

## REMUNERATION POLICY

The Remuneration policy of the Company endeavours to attract, motivate and retain quality management in a competitive environment with the relevant expertise necessary to achieve the objectives of the Company. The Committee focuses and is responsible to ensure that the total package is competitive to attract the best talent for the benefit of the Company. The remuneration framework of the Company for the Chairman, Chief Executive Officer and Corporate Management is designed to create and enhance value to all stakeholders of the Company and to ensure alignment between the short and long-term interest of the Company and its Executives and in designing competitive compensation packages, the Committee consciously balances the short-term performance with medium to long-term goals of the Company

## SCOPE

The Committee reviews all significant changes in the corporate sector in determining salary structures and terms and conditions relating to staff at Senior Executive level. In this decision-making process, necessary information and recommendations are obtained from the Chief Executive Officer. The Committee deliberates and recommends to the Board of Directors the remuneration packages and annual increments and bonuses of the Chief Executive Officer, members of the Corporate Management and Senior Executive staff and lays down guidelines for the compensation structure for all Executive staff and overviews the implementation thereof. The Chief Executive Officer who is responsible for the overall management of the Company attends all meetings by invitation and participates in the deliberations except when his own performance and compensation package is discussed.

## SUCCESSION PLANNING AND TALENT MANAGEMENT

Succession planning and talent management continued to be a key area of focus in the deliberations of the Committee during the year under review. The Committee conducted in depth talent reviews covering critical roles of the Group, the incumbent is such roles, and the potential successors. Accordingly, the Committee also reviewed the progress of their development plans.

## FEES

Non-Independent Non-Executive Directors do not receive Directors' fees. None of the Non-Executive Directors receive any performance or incentive payments.

## PROFESSIONAL ADVICE

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

## COMMITTEE EVALUATION

Self-Assessment by the Committee members was complied with at the commencement.

**P N Mahawatte**
Chairman - Remuneration Committee

28 August 2026
Colombo

# Nominations and Governance Committee Report

The Nominations and Governance Committee ("the Committee") of the Company was established on 30/09/2024. The Committee is appointed by and is responsible to the Board of Directors and comprises of two Independent Non-Executive Directors and one Non-Executive Director.

The current composition of the committee is as follows:

| | | |
|---|---|---|
| Mr. P N Mahawatte | - Independent Non-Executive Director | - Chairman of the Committee |
| Mr. S P S Ranatunga | - Independent Non-Executive Director | - Member |
| Mr. S A Ameresekere | - Non-Executive Director | - Member |

The attendance of the Members at the meetings is as follows:

| Name of the Director | Meetings Attended |
|---|---|
| Mr. S A Ameresekere [from 30.09.2024] | 1/1 |
| Mr. S P S Ranatunga [from 17.12.2024] | 1/1 |
| Mr. P N Mahawatte [from 17.12.2024] | 0/1 |

The Committee met once during the year. The Chairman of the Committee is an Independent Non- Executive Director.

The Committee has well-defined terms of reference approved by the Board outlining the Committee's purpose, composition, quorum, authority, responsibilities, and meeting related matters.

The Chief Executive Officer and the Group Head of Finance attend meetings by invitation. PW Corporates (Private) Limited, the Secretaries of the Company, acts as the Secretary to the Committee.

## DUTIES OF THE NOMINATIONS AND GOVERNANCE COMMITTEE

1. The Nominations and Governance Committee evaluates and recommends the appointment of Directors to the Board and Committees considering the required skills, experience and qualifications necessary.
2. Consider and recommend (or not recommend) the re- election of current Directors taking into account the combined knowledge, experience, performance and contribution made by the Director to meet the strategic demands of the Company and the discharge of the Board's overall responsibilities and the number of directorships held by the Director in other listed and unlisted companies and other principal commitments.
3. Establish and maintain a formal and transparent procedure to evaluate, select and appoint / re-appoint Directors of the Company.
4. Establish and maintain a set of criteria for selection of Directors such as academic / professional qualifications, skills, experience and key attributes required for eligibility taking into consideration the nature of the business of the Company and industry specific requirements.
5. Establish and maintain a suitable process for the periodic evaluation of the performance of Board Directors of the Company to ensure their responsibilities are satisfactorily discharged.
6. Consider if a Director is able to and has been adequately carrying out his or her duties as a Director, taking into consideration the number of Listed Company Boards on which the Director is represented and other principal commitments.
7. Develop succession plans for the Board of Directors and Key Management Personnel.
8. Review and recommend the overall corporate governance framework of the Company taking into account the Listing Rules and other applicable regulatory requirements and industry best practices. Review and update the corporate governance policies/ framework in line with regulatory and legal developments relating to same.
9. Receive reports from the Management on compliance of the corporate governance framework of the Company including the Company's compliance with provisions of the SEC Act, Listing Rules of the Colombo Stock Exchange and other applicable laws and reasons for any deviations or non-compliances.

## DISCLOSURE OF ACTIVITIES

The Board performance evaluation has been carried out and discussed at Board meetings. Any major issues relating to the Company are updated to the Independent Directors by the Chairman or Chief Executive Officer. Special Board meetings are called if the need arises, to discuss any important or critical matters. No such special meetings were held during the financial year.

Newly appointed Directors were given an induction to the Company and the orientation programme includes inviting the Directors to the Operating facilities to gain an understanding of the

Operations of the Company. Requirements as per the Listing Rules and applicable rules and regulations are informed to the new Directors. Existing Directors are regularly updated with corporate governance requirements, Listing Rules and other applicable laws.

Non-Executive Directors have submitted declarations regarding their independence / non-independence. The fitness and propriety of the Directors were examined. All Independent Directors of the Company meet the criteria set out in the Listing Rules of the Colombo Stock Exchange for determining independence.

The Company has adopted the following policies, with effect from 01 October 2024, and has uploaded them to the Company's

# Nominations and Governance Committee Report

website in accordance with the Corporate Governance Rules of the Colombo Stock Exchange:

1. Policy on Anti – Bribery and Corruption
2. Policy on Internal Code of Business conduct and Ethics
3. Policy on Board Committees
4. Policy on Remuneration
5. Risk Management & Internal Control Policy
6. Environment, Social & Governance Policy
7. Policy on Whistleblowing
8 Policy on Matters Relating to the Board of Directors
9. Policy on Relations with Shareholders and Investors
10 Policy on Corporate Governance, Nominations and Re-election
11 Policy on Corporate Disclosures
12. Policy on Control and Management of Company Assets and Shareholder investments

The policies and processes relating to the nomination of new Members to the Board are governed by the Policy on Corporate Governance, Nomination and Re-election

## COMMITTEE EVALUATION

The Board conducted the annual evaluation of the Committee during the year and the review concluded that the Committee continues to operate effectively.

## RE-APPOINTMENTS / RE- ELECTIONS

One Third (1/3) of all the Directors, except those who have been appointed to the Board since the last Annual General Meeting, retire by rotation in terms of the Articles of Association and being eligible submit themselves for reelection at the Annual General Meeting.

Accordingly, the Committee has recommended the re-election of Mr. S. A. Ameresekere, who retires by rotation in terms of Articles 88 and 89 of the Articles of Association and, being eligible, offers himself for re-election at the Annual General Meeting to be held on 24 September 2026.

Mr Priya Chandana Bandara Talwatte, Executive Director/Chief Executive Officer of the Company by his letter dated 11th August 2026 has tendered his resignation from the office of Director/ Chief Executive Officer effective from 11th November 2026. The Committee has accepted his resignation and has recommended the appointment of Mr Amadoruge Don Nirekshe Vincent Perera as the Group Chief Executive Officer – designate effective from 1st September 2026 to facilitate a smooth and orderly transition. Mr. Perera will assume the role of Group Chief Executive Officer of the Company with effect from 12th November 2026. The Board of Directors at its meeting held on 12th August 2026 has approved the above, as recommended by the Nominations and Governance Committee of even date.

None of the Directors who are being proposed for re-election or their family members, have any relationship with the Directors of the Company or shareholders having more than 10% of the shares of the Company.

The Company is committed to ensuring Board diversity by bringing a wide range of experience and skills to the Board. Age and gender diversity have been essential factors contributing to the effective performance of the Company's Board.

The Corporate Governance requirements stipulated under the Listing Rules are met by the Company and details are given on page 24 to 46 of this report.

**P N Mahawatte**

Nominations and Governance Committee
28 August 2026

# Audit Committee Report

## COMPOSITION OF THE COMMITTEE

The Audit Committee comprises of three (03) Independent Non-Executive Directors

The current composition of the Committee is as follows:

| | | |
|---|---|---|
| Mr. P L P Withana | - Independent Non-Executive Director | - Chairman of the Committee |
| Mr. S P S Ranatunga | - Independent Non-Executive Director | - Member |
| Mr. P N Mahawatte | - Independent Non-Executive Director | - Member |

## MEETINGS

The Committee met six times during the period under review.

Member's Attendance at the Audit Committee Meetings from 01.04.2025–31.03.2026 is as follows:

| Name of the Director | Meetings Attended |
|---|---|
| Mr. P L P Withana [from 30.09.2024] | 6/6 |
| Mr. S P S Ranatunga [from 17.12.2024] | 6/6 |
| Mr. P N Mahawatte [from 17.12.2024] | 5/6 |

Messrs. Ernst & Young, Independent Auditors are requested to be present as and when required.

The Chief Executive Officer and the Group Head of Finance also attended to meetings by invitation. The Company Secretary functions as the Secretary to the Committee.

## THE ROLE OF THE AUDIT COMMITTEE

The Audit Committee is empowered by the Board of Directors to examine all matters relating to the financial status of the Company, and its internal and external audits. The Committee pursues and promotes good Corporate Governance by actively creating awareness and providing advice to the management on Risk Management, appropriate internal control practices, and other related activities of the Company in compliance with the rules and regulations of the Colombo Stock Exchange. The proceedings of the Audit Committee are regularly reported to the Board of Directors through formal minutes.

## OPERATION OF THE AUDIT COMMITTEE

The Chairman of the Audit Committee is a Fellow Member of Institute of Chartered Accountants of Sri Lanka. The Statutory Auditors, Chief Executive Officer, General Managers of the Hotel, Group Head of Finance and Hotel Accountants attended these meetings of the Audit Committee at the invitation of the Chairman of the Audit Committee.

Outsourced Internal Auditors are utilised at the discretion of the audit committee when required on any given scope of work

The Company Secretary acts as Secretary to the Audit Committee. The members of the Audit Committee can, where they judge it necessary to discharge their responsibilities, obtain independent professional advice at the Company's expense. The Committee met six times during the financial year ended 31 March 2026

## THE AUDIT COMMITTEE'S DUTIES INCLUDE:

- Monitoring the financial reporting process.
- Monitoring the compliance with financial reporting requirements, information requirements of the Companies Act No. 07 of 2007 and other relevant financial reporting related regulations and requirements.
- Monitoring the statutory audit of the Group's Financial Statements.
- Reviewing the Group's Financial Statements and the material financial reporting judgements contained therein.
- Monitoring the effectiveness of the Group's Internal Control and Risk Management Systems.
- Reviewing and monitoring the independence of the External Auditors and the provision of additional services to the Group.
- Advising the Board on the appointment and removal of the External Auditors and the remuneration and terms of engagement of the External Auditors

## FINANCIAL REPORTING

The Committee reviewed and discussed the unaudited Interim Financial Statements and the Financial Statements for the year with the management and the External Auditors ensuring that the Company's financial reporting gives a true and fair view in accordance with the Sri Lanka Accounting Standards and the information required by the Companies Act No. 07 of 2007 prior to the recommendation of same to the Board.

## INTERNAL CONTROL AND RISK MANAGEMENT

The Board is responsible for the Group's system of internal control and risk management and for reviewing its effectiveness. The Audit Committee monitors and reviews each year the effectiveness of, and the framework for, the Group's system of control and risk management. The Audit Committee undertook a review of the effectiveness of, and the framework for the Group's system of internal control and risk management, including financial, operational and compliance controls during the year.

In addition to this review, the External Auditors provided the Audit Committee with comprehensive reports of the results of their testing of controls that were carried out as part of the audits.

# Audit Committee Report

The Audit Committee also reviewed on a quarterly basis, the key risks that the Group faces and the actions being taken by the management to mitigate and manage them.

**EXTERNAL AUDITORS**

The Committee held meetings with the External Auditors to review the nature, approach and scope of audit. The Committee also reviewed the Audited Financial Statements with the External Auditors.

The Committee also has a private audience with the External Auditors. No matters other than those that have already been discussed with management were raised by the External Auditors.

The Audit Committee is satisfied that the independence of the External Auditors has not been influenced by any event that results in a conflict of interest. The fees pertaining to audit have been reviewed and recommended to the Board.

**REVIEW OF THE WORK OF THE EXTERNAL AUDITORS**

Subject to the annual appointment of the External Auditors by shareholders, the Audit Committee regularly reviews the relationship between the Group and the External Auditors.

This review includes an assessment of their performance, cost effectiveness, objectivity and independence. The Audit Committee is responsible for ensuring that an appropriate relationship is maintained between the Group and the External Auditors.

The Audit Committee shall make a determination of the independence of the Auditors and disclose the basis for such determination. To the extent that the Audit Committee is aware, the Auditors do not have any relationship with (other than that of the Auditor), or interest in, the Company and the Group, which in the opinion of the Audit Committee, may reasonably be considered 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 as at the reporting date.

Confirmation has been received from the Auditors of their compliance with the independence guidance given in the Code of Ethics of the Institute of Chartered Accountants of Sri Lanka

The Group has implemented a policy of controlling the provision of non-audit services by the External Auditors in order to ensure that their objectivity and independence is safeguarded. The Audit Committee also continued with the appointment of other accountancy firms to provide certain non-audit services to the Group in connection with tax, other services and anticipates that this will continue in 2026/27.

**RE-APPOINTMENT OF AUDITORS**

The Audit Committee, having considered the External Auditors' performance during their period in office, recommends their re-appointment for the financial year ending 31 March 2027, subject to the approval of the shareholders at the next Annual General Meeting. A full breakdown of the audit and non-audit related fees are set out in Note 8 to the Consolidated Financial Statements on page 91.

**COMMITTEE EVALUATION**

The Board conducted the annual evaluation of the Committee during the year and the review concluded that the Committee continues to operate effectively.

**CONCLUSION**

The Audit Committee is satisfied that the Company's accounting policies and operational controls provide reasonable assurance that the affairs of the Company are managed in accordance with the set rules and that systems are in place to minimise the impact of identifiable risks.

The Committee further assessed that future prospects of its business operations and is satisfied with the going concern assumption used in the preparation of the Financial Statements as being appropriate.

This report was approved by the Board and signed on its behalf by the Chairman of the Committee.

**P L P Withana**
Chairman - Audit Committee

28 August 2026
Colombo

# FINANCIAL STATEMENTS

## FINANCIAL CALENDAR

| | |
|---|---|
| Interim Financial Statements - Quarter 1 | 15 August 2025 |
| Interim Financial Statements - Quarter 2 | 12 November 2025 |
| Interim Financial Statements - Quarter 3 | 15 February 2026 |
| Interim Financial Statements - Quarter 4 | 31 May 2026 |
| Annual General Meeting | 24 September 2026 |

# Independent Auditor's Report

EY
Shape the future with confidence

Ernst & Young
Chartered Accountants
Rotunda Towers
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**TO THE SHAREHOLDERS OF HIKKADUWA BEACH RESORT PLC**

## Report on the audit of the financial statements

### Opinion

We have audited the financial statements of Hikkaduwa Beach Resort PLC ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group"), which comprise the statement of financial position as at 31 March 2026, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at 31 March 2026, and 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 Group in accordance with the Code of Ethics for Professional Accountants issued by CA Sri Lanka (Code of Ethics) and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key audit matters

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

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

| Key Audit Matter | How our audit addressed the Key Audit Matter |
|---|---|
| **Assessment of deferred tax liability**<br><br>As disclosed in Note 29, the Group has recognised a deferred tax liability of Rs. 1,232 Mn, which represented 25% of the Group's total liabilities as at the reporting date. In addition, comparative information has been restated to correct prior-period errors, as disclosed in Note 32 to the financial statements. | **Our audit procedures included the following;**<br><br>• Obtained an understanding of management's process for identifying temporary differences and calculating deferred tax balance.<br><br>• We involved our tax specialists to assess the appropriateness of management's tax treatment. |

# Independent Auditor's Report

| Key Audit Matter | How our audit addressed the Key Audit Matter |
|---|---|
| We selected the assessment of deferred tax liability as a key audit matter due to:<br>• The materiality of the deferred tax liability.<br>• The determination of the deferred tax effects arising from the restatement and the assessment of their impact on the comparative financial information.<br>• The judgments involved in assessing future taxable profits and the recoverability of the deferred tax assets. | • We obtained an understanding of management's forecasts of future taxable profits and assessed the reasonableness of the key assumptions and estimates used, including projected revenue growth, operating expenses, and gross profit margins.<br>• Evaluated the accounting treatment and calculation of the deferred tax effects arising from the correction of prior-period errors and assessed whether the related restatement of comparative information was appropriately reflected in the financial statements<br>• We assessed the adequacy and appropriateness of the related disclosures in Notes 29 and 32 to the financial statements. |
| **Assessment of impairment of investment in associate.**<br>As at 31 March 2026, the Group's Investment in associate amounted to Rs. 2,217 Mn which represented 21% of the total assets of the Group.<br>As disclosed in Note 17, an assessment of impairment was carried out by the management to ascertain the recoverable amount of investment in associate.<br>The assessment of impairment of investment in associate was identified as a key audit matter due to;<br>• Materiality of the reported investment in associate balance; and<br>• Degree of assumptions, judgements and estimation uncertainties associated with assessing fair value.<br>Key areas of significant judgements, estimates and assumptions used in assessing fair value included judgements involved in ascertaining the appropriateness of valuation techniques and valuation of the leasehold right held by the associate, as disclosed in Note 17 to the financial statements | **Our audit procedures included the following;**<br>• Obtained an understanding of the Group's process of assessing impairment of investment in associate together with management assessment over lease rights held by the investee.<br>• Assessed the reasonableness of the significant judgements, estimates and assumptions made by the management including judgements involved in ascertaining the appropriateness of valuation techniques and valuation of lease rights held by the associate.<br>We have also assessed the adequacy of the disclosures made in Note 17 to these financial statements |
| **Interest Bearing Borrowings:**<br>As disclosed in note 27, the Group's total interest-bearing loans and borrowings amounted to Rs. 2,873 Mn, which represent a significant portion of its total liabilities. The disclosures related to such interest-bearing loans and borrowings are included in note 27.3 and 36.4.<br>We selected the interest-bearing loans and borrowings as a key audit matter due to:<br>• the materiality of the reported amounts.<br>• appropriateness of disclosures including liquidity risk management, maturity profile and current vs non-current classification of such borrowings in the financial statements | **Our audit procedures included the following;**<br>• We obtained an understanding of the term of repayments and covenants attached to external borrowings, by reading the loan agreements.<br>• We obtained direct confirmation from financial institutions for outstanding amounts as of the reporting date.<br>• We assessed the maturity profile of the Group's interest-bearing borrowings focusing on the management's plans to meet the debt obligations maturing within the next twelve months and working capital requirements.<br>We have also assessed the adequacy of the disclosures made in note 27 and note 36.4 to the financial statements relating to the interest-bearing loans and borrowings and liquidity risk aspects. |

### Other Information included in the 2026 Annual Report

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

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

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

### Responsibilities of the management and those charged with governance 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 Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

### Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

# Independent Auditor's Report

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 4169.

28 August 2026
Colombo

# Statement of Profit or Loss

| Year ended 31 March | Note | Group 2026 Rs. | Group 2025 Restated Rs. | Company 2026 Rs. | Company 2025 Restated Rs. |
|---|---|---|---|---|---|
| **Revenue from contracts with customers** | 5 | **1,878,722,846** | 1,816,868,919 | **647,722,650** | 596,721,807 |
| Cost of sales | | **(580,890,824)** | (597,013,218) | **(173,042,635)** | (178,920,171) |
| **Gross Profit** | | **1,297,832,022** | 1,219,855,701 | **474,680,015** | 417,801,636 |
| Other income and gains | 6 | **12,445,388** | 80,731,982 | **16,028,135** | 77,923,162 |
| Administrative expenses | | **(618,639,608)** | (540,068,740) | **(225,261,538)** | (193,316,136) |
| Selling and marketing expenses | | **(53,954,906)** | (64,402,003) | **(30,852,313)** | (27,211,390) |
| Other operating expenses | | **(521,391,984)** | (492,330,929) | **(136,403,488)** | (143,458,636) |
| **Operating Profit / (Loss)** | | **116,290,912** | 203,786,011 | **98,190,811** | 131,738,636 |
| Finance income | 7.1 | **7,124,469** | 14,218,101 | **42,119,196** | 45,062,725 |
| Finance costs | 7.2 | **(300,261,630)** | (395,439,841) | **(130,030,588)** | (184,535,126) |
| Share of profit of associate | 17 | **40,696,164** | 24,754,911 | **40,696,164** | 24,754,911 |
| Impairment of associate | 17 | **(98,697,613)** | - | **(98,697,613)** | - |
| **Profit / (Loss) before tax** | 8 | **(234,847,698)** | (152,680,818) | **(47,722,030)** | 17,021,147 |
| Tax (expense) / reversal | 9 | **137,429,369** | 9,936,125 | **136,732,983** | 9,414,459 |
| **Profit / (Loss) for the year** | | **(97,418,329)** | (142,744,693) | **89,010,953** | 26,435,606 |
| | | | | | |
| **Profit / (Loss) attributable to:** | | | | | |
| Equity holders of the parent | | **(14,677,471)** | (119,533,377) | **89,010,953** | 26,435,606 |
| Non-controlling interests | | **(82,740,858)** | (23,211,316) | **-** | - |
| | | **(97,418,329)** | (142,744,693) | **89,010,953** | 26,435,606 |
| | | | | | |
| **Basic/Diluted earnings/(losses) per share** | 10 | **(0.03)** | (0.23) | **0.16** | 0.05 |

Figures in brackets indicate deductions.

The accounting policies and notes on pages 77 through 134 form an integral part of these financial statements.

# Statement of Comprehensive Income

| Year ended 31 March | Note | Group 2026 Rs. | Group 2025 Restated Rs. | Company 2026 Rs. | Company 2025 Restated Rs. |
|---|---|---|---|---|---|
| **Profit / (Loss) for the year** | | **(97,418,329)** | (142,744,693) | **89,010,953** | 26,435,606 |
| | | | | | |
| **Other comprehensive income/(loss)** | | | | | |
| | | | | | |
| **Other comprehensive income / (loss) not to be reclassified to profit or loss in subsequent periods** | | | | | |
| | | | | | |
| Revaluation of land and building | 13 | **261,598,679** | 135,770,004 | **53,536,412** | 24,318,367 |
| Income tax effect on revaluation of land and buildings | 29 | **(78,479,604)** | (40,731,002) | **(16,060,924)** | (7,295,511) |
| | | | | | |
| Actuarial gain / (loss) on defined benefit plan | 28 | **(1,284,170)** | (790,397) | **(908,320)** | (1,490,710) |
| Income tax effect on defined benefit plan | 29 | **385,251** | 237,119 | **272,496** | 447,213 |
| | | | | | |
| Share of other comprehensive income of associate | 17 | **5,358,507** | 1,130,884 | **5,358,507** | 1,130,884 |
| | | | | | |
| **Other comprehensive income for the year, net of tax** | | **187,578,663** | 95,616,609 | **42,198,171** | 17,110,243 |
| **Total comprehensive income/ (loss) for the year, net of tax** | | **90,160,334** | (47,128,084) | **131,209,124** | 43,545,849 |
| | | | | | |
| **Total comprehensive income/ (loss) attributable to:** | | | | | |
| Equity holders of the parent | | **101,737,442** | (58,490,971) | **131,209,124** | 43,545,849 |
| Non-controlling interests | | **(11,577,108)** | 11,362,887 | **-** | - |
| | | **90,160,334** | (47,128,084) | **131,209,124** | 43,545,849 |

Figures in brackets indicate deductions.

The accounting policies and notes on pages 77 through 134 form an integral part of these financial statements.

# Statement of Financial Position

| As at 31 March | Note | Group 2026 Rs. | Group 2025 Restated Rs. | Company 2026 Rs. | Company 2025 Restated Rs. |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 13 | **7,260,569,267** | 7,112,093,821 | **1,646,721,319** | 1,611,657,258 |
| Investment properties | 14 | **639,266,966** | 639,266,966 | **639,266,966** | 639,266,966 |
| Right-of-use assets | 15 | **170,184,867** | 172,210,875 | **170,184,867** | 172,210,875 |
| Investment in associate | 17 | **2,216,914,064** | 2,269,557,006 | **2,216,914,064** | 2,269,557,006 |
| Investment in subsidiary | 18 | **-** | - | **1,907,939,435** | 1,990,739,335 |
| Other receivables - related parties | 19 | **-** | - | **411,186,983** | 379,186,983 |
| | | **10,286,935,164** | 10,193,128,668 | **6,992,213,634** | 7,062,618,423 |
| **Current assets** | | | | | |
| Inventories | 20 | **55,661,781** | 52,268,748 | **12,606,922** | 15,606,458 |
| Trade and other receivables | 19 | **142,708,316** | 306,010,764 | **146,063,233** | 178,303,682 |
| Other current financial assets | 21 | **15,746,210** | 13,350,100 | **15,746,210** | 13,350,100 |
| Tax receivables | | **5,816,903** | 5,549,477 | **5,394,959** | 5,245,355 |
| Advances and prepayments | 22 | **117,354,753** | 29,097,422 | **7,355,933** | 6,748,738 |
| Cash and bank balances | 23 | **57,562,488** | 165,392,824 | **15,433,597** | 105,533,104 |
| | | **394,850,451** | 571,669,335 | **202,600,854** | 324,787,437 |
| **Total assets** | | **10,681,785,615** | 10,764,798,003 | **7,194,814,488** | 7,387,405,860 |
| | | | | | |
| **EQUITY AND LIABILITIES** | | | | | |
| **Capital and reserves** | | | | | |
| Stated capital | 24 | **5,526,201,686** | 5,526,201,686 | **5,526,201,686** | 5,526,201,686 |
| Revaluation reserve | 25 | **2,387,455,533** | 2,270,084,996 | **708,075,903** | 665,056,417 |
| Merger reserve | 26 | **332,134,791** | 332,134,791 | **332,134,791** | 332,134,791 |
| Retained earnings / (Accumulated Losses) | | **(3,617,794,698)** | (3,588,777,124) | **(1,211,954,813)** | (1,300,144,451) |
| **Equity attributable to owners of the company** | | **4,627,997,312** | 4,539,644,349 | **5,354,457,567** | 5,223,248,443 |
| Non-controlling interests | | **1,035,127,841** | 942,342,235 | **-** | - |
| **Total equity** | | **5,663,125,153** | 5,481,986,584 | **5,354,457,567** | 5,223,248,443 |
| | | | | | |
| **Non-current liabilities** | | | | | |
| Interest bearing loans and borrowings | 27 | **2,522,672,679** | 2,391,540,247 | **835,952,679** | 944,586,177 |
| Retirement benefit obligation | 28 | **40,112,658** | 33,797,247 | **26,627,600** | 23,103,497 |
| Deferred tax liability | 29 | **1,232,118,943** | 1,291,453,959 | **267,957,499** | 388,902,055 |
| Other payables - related parties | 30 | **115,930,109** | 325,430,109 | **115,930,109** | 325,430,109 |
| | | **3,910,834,389** | 4,042,221,562 | **1,246,467,887** | 1,682,021,838 |

# Statement of Financial Position

| As at 31 March | Note | Group **2026** **Rs.** | Group 2025 Restated Rs. | Company **2026** **Rs.** | Company 2025 Restated Rs. |
|---|---|---|---|---|---|
| **Current liabilities** | | | | | |
| Trade and other payables | 30 | **736,189,560** | 503,610,973 | **343,078,836** | 128,277,336 |
| Interest bearing loans and borrowings | 27 | **350,775,456** | 654,851,613 | **233,904,079** | 277,010,102 |
| Contract liabilities | 31 | **20,861,056** | 82,127,271 | **16,906,120** | 76,848,141 |
| | | **1,107,826,072** | 1,240,589,857 | **593,889,033** | 482,135,579 |
| **Total equity and liabilities** | | **10,681,785,615** | 10,764,798,003 | **7,194,814,488** | 7,387,405,860 |

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

**Kaushika Ranasinghe**
Group Head of Finance

The Board of Directors is responsible for these Financial Statements. Signed for and on behalf of the Board by;

**P.C.B. Talwatte**
Director/CEO

**P. L. P. Withana**
Director

The accounting policies and notes on pages 77 through 134 form an integral part of these financial statements.

28 August 2026
Colombo

# Statement of Changes in Equity

| Group | Note | Attributable to Equity holders of the parent | | | | | Non- Controlling Interest | Total Equity |
|---|---|---|---|---|---|---|---|---|
| | | Stated Capital | Revaluation Reserves* | Merger Reserves** | Retained Earnings | Total | | |
| | | Rs. | Rs. | Rs. | Rs. | Rs | Rs. | Rs. |
| **Balance as at 01 April 2024** | | 4,624,023,566 | 2,208,273,420 | 332,134,791 | (3,536,381,151) | 3,628,050,626 | 266,490,557 | 3,894,541,183 |
| Prior period correction — Deferred Tax (Note 32) | | - | - | - | 114,928,341 | 114,928,341 | - | 114,928,341 |
| **Balance 01 April 2024 (Restated)** | | 4,624,023,566 | 2,208,273,420 | 332,134,791 | (3,421,452,810) | 3,742,978,967 | 266,490,557 | 4,009,469,524 |
| **Net loss for the year** | | - | - | - | (119,533,377) | (119,533,377) | (23,211,316) | (142,744,693) |
| **Other comprehensive income/(loss)** | | | | | | | | |
| Revaluation of land and building | 13 | - | 86,686,703 | - | - | 86,686,703 | 49,083,301 | 135,770,004 |
| Income tax effect on revaluation of land and buildings | 29 | - | (26,006,011) | - | - | (26,006,011) | (14,724,990) | (40,731,002) |
| Actuarial loss on defined benefit plan | 28 | - | - | - | (1,098,815) | (1,098,815) | 308,418 | (790,397) |
| Income tax effect on defined benefit plan | 29 | - | - | - | 329,645 | 329,645 | (92,525) | 237,119 |
| Share of other comprehensive income of associate | 17 | - | 1,130,884 | - | - | 1,130,884 | - | 1,130,884 |
| **Total Comprehensive income/(Loss) for the year** | | - | 61,811,576 | - | (120,302,547) | (58,490,972) | 11,362,888 | (47,128,084) |
| **Transactions with Equity Holders, Recognised Directly in Equity** | | | | | | | | |
| Issue of Ordinary Shares under Right Issue | | 902,178,120 | - | - | - | 902,178,120 | - | 902,178,120 |
| Share Issued to Non Controlling Interest | | - | - | - | - | - | 116,473,810 | 116,473,810 |
| Adjustment on changes to non-controlling interest in subsidiaries due to share disposals " | | - | - | - | (47,021,766) | (47,021,766) | 548,014,980 | 500,993,214 |
| **Balance as at 31 March 2025 (Restated)** | | 5,526,201,686 | 2,270,084,996 | 332,134,791 | (3,588,777,124) | 4,539,644,349 | 942,342,235 | 5,481,986,584 |
| **Balance as at 01 April 2025 (Restated)** | | 5,526,201,686 | 2,270,084,996 | 332,134,791 | (3,588,777,124) | 4,539,644,349 | 942,342,235 | 5,481,986,584 |
| **Net profit / loss for the year** | | - | - | - | (14,677,471) | (14,677,471) | (82,740,858) | (97,418,329) |
| **Other comprehensive income/(loss)** | | | | | | | | |
| Revaluation of land and building | 13 | - | 159,752,199 | - | - | 159,752,199 | 101,846,480 | 261,598,679 |
| Income tax effect on revaluation of land and buildings | 29 | - | (47,925,660) | - | - | (47,925,660) | (30,553,944) | (78,479,604) |
| Actuarial loss on defined benefit plan | 28 | - | - | - | (1,100,191) | (1,100,191) | (183,979) | (1,284,170) |
| Income tax effect on defined benefit plan | 29 | - | - | - | 330,057 | 330,057 | 55,194 | 385,251 |
| Share of other comprehensive income of associate | 17 | - | 5,543,998 | - | (185,491) | 5,358,507 | - | 5,358,507 |
| **Total Comprehensive income/(Loss) for the year** | | | 117,370,537 | - | (15,633,096) | 101,737,441 | (11,577,107) | 90,160,334 |
| **Transactions with Equity Holders, Recognised Directly in Equity** | | | | | | | | |
| Adjustment on changes to non-controlling interest in subsidiaries | | - | - | - | (13,384,478) | (13,384,478) | 104,362,713 | 90,978,235 |
| **Balance as at 31 March 2026** | | 5,526,201,686 | 2,387,455,533 | 332,134,791 | (3,617,794,698) | 4,627,997,312 | 1,035,127,841 | 5,663,125,153 |

# Statement of Changes in Equity

| Company | Note | Stated Capital | Revaluation Reserves* | Merger Reserves ** | Retained Earnings | Total |
|---|---|---|---|---|---|---|
| | | Rs. | Rs. | Rs. | Rs. | Rs. |
| **Balance as at 01 April 2024** | | 4,624,023,566 | 646,902,677 | 332,134,791 | (1,440,464,902) | 4,162,596,132 |
| Prior period correction — Deferred Tax (Note 32) | | - | - | - | 114,928,341 | 114,928,341 |
| **Balance 01 April 2024 (Restated)** | | 4,624,023,566 | 646,902,677 | 332,134,791 | (1,325,536,561) | 4,277,524,473 |
| Profit for the year | | - | - | - | 26,435,606 | 26,435,606 |
| **Other comprehensive income/(loss)** | | | | | | |
| Revaluation of land and building | 13 | - | 24,318,367 | - | - | 24,318,367 |
| Income tax effect on revaluation of land and buildings | 29 | - | (7,295,511) | - | - | (7,295,511) |
| Actuarial loss on defined benefit plan | 28 | - | - | - | (1,490,710) | (1,490,710) |
| Income tax effect on defined benefit plan | 29 | - | - | - | 447,213 | 447,213 |
| Share of other comprehensive income of associate | 17 | - | 1,130,884 | - | - | 1,130,884 |
| **Total comprehensive income for the year, net of tax** | | - | 18,153,740 | - | 25,392,109 | 43,545,849 |
| **Transactions with Equity Holders, Recognised Directly in Equity** | | | | | | |
| Shares Issued during the year | | 902,178,120 | - | - | - | 902,178,120 |
| **Balance as at 31 March 2025 (Restated)** | | 5,526,201,686 | 665,056,417 | 332,134,791 | (1,300,144,451) | 5,223,248,443 |
| **Balance as at 01 April 2025 (Restated)** | | 5,526,201,686 | 665,056,417 | 332,134,791 | (1,300,144,451) | 5,223,248,443 |
| **Profit for the year** | | - | - | - | 89,010,953 | 89,010,953 |
| **Other comprehensive income/(loss)** | | | | | | |
| Revaluation of land and building | 13 | - | 53,536,412 | - | - | 53,536,412 |
| Income tax effect on revaluation of land and buildings | 29 | - | (16,060,924) | - | - | (16,060,924) |
| Actuarial loss on defined benefit plan | 28 | - | - | - | (908,320) | (908,320) |
| Income tax effect on defined benefit plan | 29 | - | - | - | 272,496 | 272,496 |
| Share of other comprehensive income of associate | 17 | - | 5,543,998 | - | (185,491) | 5,358,507 |
| **Total comprehensive income for the year, net of tax** | | - | 43,019,486 | - | 88,189,638 | 131,209,124 |
| **Balance as at 31 March 2026** | | 5,526,201,686 | 708,075,903 | 332,134,791 | (1,211,954,813) | 5,354,457,567 |

* Revaluation reserve is used to record increments and decrements on the revaluation of lands and buildings of the Group. In the event of a sale or disposal of an asset, any balance in the reserve in relation to the asset is transferred to retained earnings, see accounting policy note 2.3(h) for details.

* *Merger Reserve was created as a result of the Citrus Group restructure. Kalpitiya Beach Resort PLC (KBRL) and Passikudah Beach Resort Limited (PBRL) has been amalgamated with Hikkaduwa Beach Resort PLC on 30 January 2018 and 2 February 2018 respectively.

The accounting policies and notes on pages 77 through 134 form an integral part of these financial statements.

# Statement of Cash Flows

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | **2026** | 2025 | **2026** | 2025 |
| Year ended 31 March | Note | **Rs.** | Rs. | **Rs.** | Rs. |
| **Cash flows from/(used in) operating activities** | | | | | |
| Profit / (Loss) before income tax expense | | **(234,847,698)** | (152,680,818) | **(47,722,030)** | 17,021,147 |
| | | | | | |
| **Adjustments for :** | | | | | |
| Depreciation of property, plant and equipment | 13 | **181,822,979** | 191,735,465 | **38,589,640** | 42,979,181 |
| Provision for defined benefit plans | 28 | **7,799,851** | 7,468,901 | **4,342,325** | 4,265,216 |
| Depreciation of right-of-use assets | 15 | **2,026,008** | 2,026,008 | **2,026,008** | 2,026,008 |
| Finance income | 7.1 | **(3,718,283)** | (8,724,159) | **(38,713,010)** | (39,568,783) |
| Finance costs | 7.2 | **300,261,630** | 395,439,841 | **130,030,588** | 184,535,126 |
| Dividend income | 7.1 | **(1,010,076)** | (538,262) | **(1,010,076)** | (538,262) |
| (Gain) / loss on financial assets at fair value | 7 | **(2,396,110)** | (4,955,680) | **(2,396,110)** | (4,955,680) |
| Gain on disposal of subsidiary's shares | 6 | **-** | (48,066,175) | **(8,178,237)** | (48,066,175) |
| Gain on disposal of property, plant & equipment | 6 | **-** | (27,008,562) | **-** | (27,008,562) |
| Impairment of trade receivables | 8 | **(70,171)** | 4,789,957 | **(183,136)** | 5,136,014 |
| Impairment of associate | 17 | **98,697,613** | - | **98,697,613** | - |
| Share of profits from investment in associate | 17 | **(40,696,164)** | (24,754,911) | **(40,696,164)** | (24,754,911) |
| **Operating profit/ (loss) before working capital changes** | | **307,869,579** | 334,731,605 | **134,787,411** | 111,070,319 |
| | | | | | |
| (Increase)/ decrease in inventories | | **(3,393,032)** | 440,896 | **2,999,536** | (3,147,395) |
| (Increase)/ decrease in trade and other receivables | | **163,372,619** | (57,257,704) | **423,585** | (115,203,714) |
| (Increase)/ decrease in advances and prepayments | | **(88,257,330)** | (12,377,579) | **(607,195)** | 1,351,723 |
| Increase/ (decrease) in contract liabilities | | **(61,266,213)** | 63,335,430 | **(59,942,021)** | 74,171,140 |
| Increase/ (decrease) in trade and other payables | | **23,078,686** | (333,417,735) | **5,301,499** | (256,464,052) |
| **Cash generated from/(used in) operations** | | **341,404,309** | (4,545,087) | **82,962,815** | (188,221,979) |
| | | | | | |
| Finance cost paid | | **(275,590,726)** | (395,439,841) | **(105,675,838)** | (184,535,126) |
| Tax paid | | **-** | - | **-** | - |
| Defined benefit plan cost paid | 28 | **(2,768,610)** | (5,059,919) | **(1,726,542)** | (3,027,509) |
| **Net cash flow from/(used in) operating activities** | | **63,044,973** | (405,044,847) | **(24,439,565)** | (375,784,614) |

# Statement of Cash Flows

| Year ended 31 March | Note | Group 2026 Rs. | Group 2025 Rs. | Company 2026 Rs. | Company 2025 Rs. |
|---|---|---|---|---|---|
| **Cash flows from/(used in) investing activities** | | | | | |
| Acquisition of property, plant and equipment | 13 | **(68,699,746)** | (14,902,064) | **(20,117,287)** | (2,595,372) |
| Proceeds from sale of shares | | **90,978,137** | 500,993,211 | **90,978,137** | 500,993,211 |
| Investment in Subsidiary | | **-** | - | **-** | (561,814,596) |
| Net financed to related parties | | **-** | - | **-** | 94,412,195 |
| Finance income received | | **1,750,857** | 8,724,159 | **952,132** | 39,568,783 |
| Proceed from sale of fixed assets | | **-** | 38,303,180 | **-** | 38,303,180 |
| Dividend income | | **1,010,076** | 538,262 | **1,010,076** | 538,262 |
| **Net cash flow from/(used in) investing activities** | | **25,039,324** | 533,656,748 | **72,823,058** | 109,405,663 |
| | | | | | |
| **Cash flows from/ (used in) financing activities** | | | | | |
| Proceeds from interest bearing loans and borrowings | 27 | **266,500,000** | 331,810,938 | **100,000,000** | 331,810,938 |
| Repayment of interest bearing loans and borrowings | 27 | **(288,076,315)** | (862,085,953) | **(190,752,245)** | (367,680,947) |
| Proceeds from issue of shares | | **-** | 1,018,651,930 | **-** | 902,178,120 |
| Net financed to related parties | | **(22,970,908)** | (369,201,911) | **13,256,521** | (369,201,911) |
| **Net cash flows from/(used in) financing activities** | | **(44,547,223)** | 119,175,004 | **(77,495,724)** | 497,106,200 |
| | | | | | |
| **Net increase/ (decrease) in cash and cash equivalents** | | **43,537,074** | 247,786,905 | **(29,112,231)** | 230,727,248 |
| Cash and cash equivalents at the beginning of the year | | **(55,749,472)** | (303,536,377) | **23,642,319** | (207,084,929) |
| **Cash and cash equivalents at the end of the year (note A)** | | **(12,212,398)** | (55,749,472) | **(5,469,912)** | 23,642,319 |
| | | | | | |
| **Note A** | | | | | |
| **Analysis of cash and cash equivalents** | | | | | |
| Cash in hand and cash at bank | 23 | **57,562,488** | 134,027,427 | **15,433,597** | 105,533,104 |
| Short term deposits with original maturity less than three months | 23 | **-** | 31,365,397 | **-** | - |
| Bank overdrafts | 27 | **(69,774,886)** | (221,142,296) | **(20,903,509)** | (81,890,785) |
| **Total cash and cash equivalents** | | **(12,212,398)** | (55,749,472) | **(5,469,912)** | 23,642,319 |

The accounting policies and notes on pages 77 through 134 form an integral part of these financial statements.

# Notes to the Financial Statements

## 1. CORPORATE INFORMATION

Hikkaduwa Beach Resort PLC (the Company or the parent) is a public limited Company incorporated and domiciled in Sri Lanka and whose shares are listed on Colombo Stock Exchange and publicly traded.

The registered office of the Company and the Group is located at No. 56/1, Kynsey Road, Colombo 8.

### 1.1 Principal Activities and Nature of Operations

The Group is principally engaged in the provision of Hotel Services. Information of the subsidiary is provided in Note 2.2.1

### 1.2 Parent Entity and Ultimate Parent Entity

In the opinion of the Directors, the immediate parent of Hikkaduwa Beach Resort PLC is Citrus Leisure PLC and ultimate parent is George Steuart & Company Ltd, which is incorporated in Sri Lanka.

### 1.3 Date of Authorisation for Issue

The consolidated financial statements of the Hikkaduwa Beach Resort PLC and its subsidiary (collectively, the Group) for the year ended 31 March 2026 were authorised for issue in accordance with a resolution of the directors on 28 August 2026.

## 2. BASIS OF PREPARATION AND OTHER MATERIAL ACCOUNTING POLICIES

### 2.1 Statement of Compliance

The financial statements which comprise the statement of profit or loss, statement of comprehensive income, statement of financial position, as at 31 March 2026 statement of changes in equity and the statement of cash flows for the year then ended together with the accounting policies and notes (the "financial statements") have been prepared in accordance with Sri Lanka Accounting Standards (SLFRSs/ LKASs) as issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and in compliance with the requirement of the Companies Act No. 7 of 2007.

The consolidated financial statements have been prepared on the historical cost basis, except for the following material items in the statement of financial position.

- Land and Buildings which are recognised as property plant and equipment which are measured at cost at the time of the acquisition and subsequently carried at fair value.
- Land and buildings which are recognised as investment property are measured at cost at the time of the acquisition and subsequently carried at fair value.
- Financial assets at fair value through profit or loss carried at fair value.

The consolidated financial statements are presented in Sri Lankan rupees (Rs.) and values are rounded to the nearest whole number value, except when otherwise indicated.

**Comparative Information**

The presentation and classification of the Financial Statements of the previous year has been amended, where relevant for better presentation and to be comparable with those of the current year except for the matters disclosed in Note 32.

#### 2.1.1 The Business Operations of the Group and Going Concern

**a) Going Concern**

In determining the basis of preparing the financial statements for the year ended 31 March 2026, based on available information, the management has assessed the impact of existing economic circumstances on the Group and the appropriateness of the use of the going concern basis.

The Company evaluated the resilience of its businesses by considering a wide range of factors under multiple scenarios, relating to expected revenue, cost management, profitability, ability to defer non-essential capital expenditure, debt repayment and potential sources of financing facilities.

Having evaluated each Company of the Group by the Board of Directors, and after due consideration of the range and likelihood of outcomes, the Directors are satisfied that the Group has adequate resources to continue in operational existence for the foreseeable future and continue to adopt the going concern basis in preparing and presenting these financial statements.

### 2.2 Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiary as for the year ended 31 March 2026.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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

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

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

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

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

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

Accounting under separate financial statements, Investment in subsidiary is measured at cost less accumulated impairment in the separate financial statements.

### 2.2.1 Subsidiary

Subsidiaries are those enterprises controlled by the parent and have been listed in the Group directory.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of Other Comprehensive Income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. The financial statements of the subsidiary is prepared for the same reporting period as the parent Company, which is 12 months ending 31 March, using consistent accounting policies.

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

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

Subsidiary & their controlling percentages of the Group, which have been consolidated are as follows:

| Subsidiary | Effective Holding | | Principal Activities |
|---|---|---|---|
| | **2026** | 2025 | |
| Waskaduwa Beach Resort PLC | **51.05%** | 55.96% | Provision of food and beverage, lodging, other hospitality industry related activities. |

The Financial Statements of the subsidiary are prepared in compliance with the Group's accounting policies.

### 2.2.2 Investment in Associate

The Group's investment in associate is accounted for using the equity method of accounting. An associate is an entity in which the Company has significant influence, and which is neither a subsidiary nor a joint venture. Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date.

Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment individually.

The statement of profit or loss reflects the share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognises the loss in the Statement of profit or loss.

In case of associates, where the reporting dates are different to Group reporting dates, adjustments are made for any significant transactions or events up to 31 March.

| Associate | Effective Holding | | Principal Activities |
|---|---|---|---|
| | **2026** | 2025 | |
| Colombo Land & Development Company PLC | **20.22%** | 20.22% | Development and leasing out of investment property under operating leases and renting of vehicle parking. |

The Financial Statements of Colombo Land & Development Company PLC has been prepared for the year ended 31 December. The equity method of accounting has been applied matching twelve month financial period up to 31 March as of the same date as the Financial Statements of the parent.

## 2.3 Summary of Material Accounting Policy information

### a) Business Combinations and Goodwill

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

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

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

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

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

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

### b) Current versus Non-Current Classification

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

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

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

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period

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

The Group classifies all other liabilities as non-current.

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

### c) Fair Value Measurement

The Group measures financial instruments such as quoted equity securities designated as fair value through profit or loss and land and buildings at fair value at each financial position. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability

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

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

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

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

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

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

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities

- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

The Group's Senior Management and Board determines the policies and procedures for fair value measurement, such as land and buildings.

External valuers are involved for valuation of Land, Buildings of the Group. Involvement of external valuers is determined annually by the senior management and the board after discussion with and approval by the Company's Audit Committee. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

The senior management decides, after discussions with the Group's external valuers, which valuation techniques and inputs to use for each case.

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

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

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

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

| Fair value measurement | Disclosure Notes |
|---|---|
| Disclosures for valuation methods, significant estimates and assumptions | Note 13.3.1 |
| Quantitative disclosures of fair value measurement hierarchy | Note 12 |
| Investment in quoted equity shares | Notes 12 and 21.1 |
| Property, plant and equipment under revaluation model | Note 13 |
| Investment properties | Note 14 |
| Financial Instruments (Including those carried at amortised cost) | Note 11 |

### d) Revenue

### (i) Revenue from Contracts with Customers

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

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

- Room revenue is recognised on the rooms occupied on daily basis.
- Food and Beverage revenue is recognised at the time of sales.
- Other Hotel Related Revenue is accounted when such service is rendered.

### Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

The Group recognises advanced received for future booking as contract liabilities which has been disclosed under current liabilities in the statement of financial position.

**(ii) Interest Income**

For all financial instruments measured at amortised cost and interest bearing financial assets classified as financial assets at fair value through OCI, interest income or expense is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability.

Interest income is included in finance income in the Statement of Profit or Loss.

**(iii) Rental Income, Other Income and Gains**

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

**(iv) Gains and Losses on Disposal of Assets**

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

**(v) Dividend Income**

Dividend income is recognised when right to receive the payment is established.

**e) Taxes**

Current Income Tax

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

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

**Deferred Tax**

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

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

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiary, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of deductible temporary differences associated with investments in subsidiary, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

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

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

**Deferred Tax on Undistributed Profits of Investment in Associate**

The Group does not control is equity accounted investees. It is therefore generally not in a position to control the timing of the reversal of a possible taxable temporary difference relating to the undistributed profits of the equity accounted investees.

The group calculates deferred tax based on the most likely manner of reversal taking into account management's intent and the tax jurisdiction applicable to relevant equity accounted investees.

The management intends to recover the carrying amount of the investment primarily through sale of the investment rather than through dividends. The deferred tax implications are evaluated based on the tax consequences on the sale of investments.

Since the carrying amount is expected to be recovered through a sale transaction which has no tax consequences. No temporary difference arises on the equity accounted investees and no deferred tax is provided.

**Sales Tax**

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

- Where the sales tax incurred on a purchase of an assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of sales tax included.
- The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

**f) Foreign Currencies**

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

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. All differences are taken to the statement of profit or loss.

**g) Cash Dividend**

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

**h) Property, Plant and Equipment**

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 of the asset can be reliably measured.

Plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied.

All other repair and maintenance costs are recognised in profit or loss as incurred.

Lands are measured at fair value less accumulated impairment losses recognised at the date of revaluation. Buildings are measured at fair value less accumulated depreciation and accumulated impairment losses recognised at the date of revaluation. Revaluation of land and buildings are done with sufficient frequency to ensure that the fair value of the land does not differ materially from its carrying amount, and is undertaken by professionally qualified valuers. A revaluation surplus is recorded in OCI and credited to the asset revaluation surplus in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in profit or loss, the increase is recognised in profit and loss. A revaluation deficit is recognised in the statement of profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation surplus.

Accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation surplus relating to the particular asset being sold is transferred to retained earnings.

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

| Asset | Years |
|---|---|
| Buildings | 10 - 40 Years |
| Furniture and fittings | 6 Years |
| Entertainment equipment | 4 Years |
| Office equipment | 6 Years |
| Machinery and other equipment | 10 Years |
| Electrical fittings and equipment | 10 Years |
| Furnishing and linen | 3 Years |
| Kitchen utensils and other equipment | 10 Years |
| Air condition system | 13-15 Years |
| Gardening and landscaping | 5 - 6 Years |
| Crockery, cutlery and glassware | 3 Years |
| Sundry Equipment / Generator & Transformers / Motor Vehicles | 4 -15 Years |
| Computers and hardware | 3 Years |

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

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

**Capital Work-in-Progress**

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

**i) Investment Properties**

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, used in the production of supply of goods or services or for administrative purposes.

**Recognition and Measurement**

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise, including the corresponding tax effect. Fair values are determined based on valuation performed by an accredited external independent valuer applying a valuation model recommended by the International Valuation Standards Committee.

**Derecognition**

Investment properties are derecognised either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefits are expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

**j) Borrowing Costs**

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur.

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

**k) Intangible Assets**

An Intangible asset is recognised if it is probable that future economic benefit associated with the assets will flow to the Group and cost of the asset can be reliably measured. Intangible assets acquired separately are measured on initial recognition at cost. The costs of intangible assets acquired in a business combination are their fair value as at the date of acquisition.

Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. The useful life of intangible asset is assessed as finite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The useful life of intangible assets are as follows;

| Intangible Asset | Useful Life |
|---|---|
| Computer Software | Over 4 Years |
| Website Development | Over 4 Years |

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

l Financial Instruments – Initial Recognition and Subsequent Measurement

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

i. Financial Assets

**Initial Recognition and Measurement**

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

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

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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

**Subsequent Measurement**

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

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

**Financial Assets at Amortised Cost (Debt Instruments)**

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows

  and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

The group financial assets at amortised cost includes trade receivables and fixed deposits.

**Financial Assets Designated at Fair Value through OCI (Equity Instruments)**

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

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

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

**Financial Assets at Fair Value through OCI (Debt Instruments)**

The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling

  and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

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

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

**Financial Assets at Fair Value through Profit or Loss**

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value.

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

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

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

**Derecognition**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the group consolidated statement of financial position) when:

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

  or

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

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

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

**Impairment of Financial Assets**

Further disclosures relating to impairment of financial assets are also provided in the following notes:

| Disclosure | Note |
|---|---|
| Disclosures for significant assumptions | Note 04 |
| Financial assets | Note 11 |
| Trade receivables | Note 19 |

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

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The group considers a financial asset in default when contractual payments are 365 days past due. However, in certain cases, the group may also consider a financial asset to be in default when internal or external information indicates that the group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

ii. Financial Liabilities

**Initial Recognition and Measurement**

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

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

The Group financial liabilities include trade and other payables, lease liabilities and interest bearing loans and borrowings.

**Subsequent Measurement**

The measurement of financial liabilities depends on their classification as described below:

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the group that are not designated as hedging instruments in hedge relationships as defined by SLFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in SLFRS 9 are satisfied. The group has not designated any financial liability as at fair value through profit or loss.

**Loans and Borrowings**

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method.

Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

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

This category generally applies to interest-bearing loans and borrowings.

**Derecognition**

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

### iii. Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

### m) Inventories

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

| Category | Cost Basis |
|---|---|
| Food and Beverages | At Weighted Average Cost |
| Housekeeping and Maintenance | At Weighted Average Cost |
| Other Stock | At Weighted Average Cost |

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

### n) Non-Financial Assets

### i. Impairment of Non-Financial Assets

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

### ii. Calculation of Recoverable Amount

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

### iii. Impairment / Reversal of Impairment

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in statement of income. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit on a pro rata basis.

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

### o) Cash and Cash Equivalents

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

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

### p) Assets Held for Sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Property, plant and equipment are not depreciated once classified as held for sale. Assets classified as held for sale are presented separately as current items in the statement of financial position.

### q) Provisions

**General**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

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

**r) Employee Benefits**

**Defined Contribution Plans**

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

Obligations for contributions to Provident and Trust Funds covering all employees are recognised as an employee benefit expense in Statement of Profit or Loss in the periods during which services are rendered by employees. The Group contributes 12% and 3% of gross emoluments to employees as Provident Fund and Trust Fund contribution respectively.

**Defined Benefit Plans**

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

Current service cost and interest cost are recognised in the Statement of Profit or Loss while any actuarial gains or losses arising are recognised in Statement of Other Comprehensive Income.

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

Key assumptions used in determining the retirement benefit obligations are given in note 28. Any changes in these assumptions will impact the carrying amount of defined benefit obligations.

Provision has been made for retirement gratuities from the beginning of service for all employees, in conformity with LKAS 19 on employee benefit. However, under the Payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of 5 years of continued service.

**Short-term Benefits**

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

**s) Leases**

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

**Group as a Lessee**

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

**i) Right-of-Use Assets**

The Group recognises right of use assets when the underlying asset is available for use. Right of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right of use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right of use assets and depreciated on a straight-line basis over the shorter of its estimated useful life or the lease term. Right of use assets are subject to impairment, and depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

| Description | Period |
|---|---|
| Land and Buildings | 99 Years |

**ii) Lease Liabilities**

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

**iii) Short-term Leases and Leases of Low-value Assets**

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date. It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

## 3. EFFECT OF SRI LANKA ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

### 3.1.1 SLFRS 17 Insurance Contracts

SLFRS 17 is a comprehensive new accounting standard for insurance contracts, covering recognition, measurement, presentation, and disclosure. It replaces SLFRS 4 and applies to all types of insurance contracts including life, non-life, direct insurance, reinsurance as well as certain guarantees and financial instruments with discretionary participation features:

The standard is built around the General Measurement Model, supported by two supplementary approaches:

- Variable Fee Approach (VFA): for contracts with direct participation features
- Premium Allocation Approach (PAA): a simplified model mainly for short-duration contracts

SLFRS 17 is effective for annual reporting periods beginning on or after 1 January 2026, with comparative figures required. Early adoption is allowed if the entity also applies SLFRS 9 Financial Instruments and SLFRS 15 Revenue from Contracts with Customers by the date SLFRS 17 is first applied.

SLFRS 17 does not have a material impact on the financial statements.

### 3.1.2 SLFRS 18 Presentation and Disclosure in Financial Statements

SLFRS 18, which replaces LKAS 1, introduces significant enhancements to the way financial information is organised and communicated. The standard establishes new categories and subtotals in the statement of profit or loss to improve consistency and comparability across entities. It also requires entities to disclose management-defined performance measures (as specified in the standard), together with clear explanations and reconciliations. In addition, SLFRS 18 introduces strengthened requirements regarding the location, aggregation, and disaggregation of financial information. These changes are designed to ensure that financial statements present information more transparently and in a way that enhances users' understanding of an entity's financial performance and position.

SLFRS 18, and consequential amendments to the other accounting standards, are effective for annual reporting periods beginning on or after 1 January 2027. Early application is permitted.

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

### 3.1.3 SLFRS 19 Subsidiaries without public accountability: Disclosures

SLFRS 19 introduces reduced disclosure requirements for subsidiaries that do not have public accountability but continue to apply the full SLFRS recognition and measurement principles.

The purpose of SLFRS 19 is to lessen the financial reporting burden on qualifying subsidiaries by simplifying disclosure requirements, while still ensuring that financial statements remain high-quality, consistent, and comparable for users.

SLFRS 19 applies to Specified Business Enterprises, as defined in the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995. Subsidiaries that fall within this category and do not have public accountability are eligible to apply SLFRS 19.

The Standard becomes effective for annual reporting periods beginning on or after 1 January 2027. Early application is permitted.

The potential impact of SLFRS 19 is currently being identified and evaluated.

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

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

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

The impact of these amendments is currently being identified and evaluated.

### 3.1.5 .Annual improvements to Sri Lanka Accounting Standards

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

### 3.2 Changes in Accounting Policies and Disclosures

The Group applied for the first time the following standards and amendments, which are effective for annual periods beginning on or after 01 April 2025. The Group has not adopted any other standard, interpretation or amendment that has been issued but is not yet effective. ;

- Lack of Exchangeability – Amendments to LKAS 21

## 4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

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

| Disclosure | Note |
|---|---|
| Capital management | Note 37 |
| Financial instruments risk management and policies | Note 36 |
| Sensitivity analyses | Notes 28.3 and 36.3.1 and 36.3.2 disclosures |

**Estimates and Assumptions**

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

**Defined Benefit Plans (Pension Benefits)**

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

The parameter most subject to change is the discount rate. In determining the appropriate discount rate, management considers the interest rates of long term Government Bonds (Treasury Bonds) corresponding to the average work life of the employees.

The mortality rate is based on publicly available mortality tables for the specific countries. Those mortality tables tend to change only at intervals in response to demographic changes. Future salary increases and pension increases are based on expected future inflation rates for the respective countries.

Further details about retirement benefit obligations are provided in Note 28.

**Provision for Expected Credit Losses of Trade Receivables**

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns. Management considered 100% ECL for debtors aged more than 365 days in determining the provision matrix for ECL.

The provision matrix is initially based on the Company's historical observed default rates. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed. The Company has considered the current decline in the tourism industry due to the impact of economic recession in determining the provisioning under ECL. The Management has monitored the effect of the global economic downturn to its travel agents through frequent discussion with them and based on the financial strength and negotiated the payment terms and future arrangements accordingly.

**Recoverability of Deferred Tax Assets**

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

**Performance Obligations and Significant Judgements**

The revenue for providing the services are usually recognised at or after the guests' departure, over the period of stay or at the point of arrival of guests. The entity identifies the services under each contract as one performance obligation. The revenue is accounted based on the output method.

Since revenue will be based on the final good or service provided, the output method will provide a faithful depiction in recognising revenue.

Transaction price shall comprise of supplier fee and Company markup, summing up to be the Gross Service fee. The advance payments are recognised as a liability. Upon provision of the services, the liability is set off and revenue is recognised over the period.

**Fair Value of Freehold Land and Buildings**

The Group measures freehold land and buildings at fair value with changes in fair value being recognised in other comprehensive income. Land and buildings were valued by reference to market-based evidence, using comparable prices adjusted for specific market factors such as nature, location and condition of the property.

Fair value related disclosures for assets measured at fair value are summarised in the Note 12 to the financial statements.

**Impairment of Non-Financial Assets**

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date.

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use.

The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to the following assets of the Group for which the key assumptions used are disclosed and further explained in the respective notes.

- Equity Accounted Investees (Note 17)
- Cash Generating Units (CGU) of the Group (Note 13.6)
- Investments in Subsidiaries (Note 18)

## 5 REVENUE

### 5.1 Revenue From Contracts With Customers

| | Group | | Company | |
|---|---|---|---|---|
| Year ended 31 March | **2026** | 2025 | **2026** | 2025 |
| | **Rs.** | Rs. | **Rs.** | Rs. |
| Hotel Income ( Note 5.1.1 ) | **1,878,722,846** | 1,816,868,919 | **647,722,650** | 596,721,807 |
| | | | | |
| 5.1.1 **Segmentation of revenue** | | | | |
| Room revenue | **1,096,385,890** | 1,023,658,484 | **439,258,987** | 391,376,212 |
| Food revenue | **475,002,769** | 475,557,472 | **153,829,848** | 145,010,495 |
| Beverage revenue | **86,100,353** | 106,021,667 | **35,210,219** | 41,622,776 |
| Banquet revenue | **206,119,115** | 198,592,978 | **13,632,662** | 13,284,548 |
| Laundry income | **1,330,279** | 1,082,350 | **486,009** | 520,355 |
| Ayurvedic spa income | **13,784,440** | 11,955,968 | **5,304,925** | 4,907,421 |
| | **1,878,722,846** | 1,816,868,919 | **647,722,650** | 596,721,807 |
| | | | | |
| 5.1.2 **Timing of revenue recognition** | | | | |
| Service transferred over time | **1,096,385,890** | 1,023,658,484 | **439,258,987** | 391,376,212 |
| Service transferred at a point in time | **782,336,956** | 793,210,435 | **208,463,663** | 205,345,595 |
| | **1,878,722,846** | 1,816,868,919 | **647,722,650** | 596,721,807 |

## 6 OTHER INCOME AND GAINS

| | Group | | Company | |
|---|---|---|---|---|
| Year ended 31 March | **2026** | 2025 | **2026** | 2025 |
| | **Rs.** | Rs. | **Rs.** | Rs. |
| Swimming pool income | **526,964** | 346,764 | **526,964** | 346,764 |
| Gain on foreign currency encashment | **2,251,141** | 64,500 | **831,530** | 64,500 |
| Other sundry income | **6,457,809** | 4,108,745 | **5,576,149** | 1,667,924 |
| Shop rent income | **1,525,424** | 1,137,236 | **915,255** | 769,237 |
| Insurance Claim Income | **1,684,050** | - | **-** | - |
| Gain on disposal of property plant & equipment | **-** | 27,008,562 | **-** | 27,008,562 |
| Gain on disposal of shares | **-** | 48,066,175 | **8,178,237** | 48,066,175 |
| | **12,445,388** | 80,731,982 | **16,028,135** | 77,923,162 |

## 7 FINANCE COSTS AND INCOME

| | Group | | Company | |
|---|---|---|---|---|
| Year ended 31 March | **2026** | 2025 | **2026** | 2025 |
| | **Rs.** | Rs. | **Rs.** | Rs. |
| 7.1 **Finance Income** | | | | |
| Interest income on fixed deposits and savings accounts | **2,018,283** | 7,024,159 | **1,101,735** | 4,688,085 |
| Fair value gain on financial assets at fair value through profit or loss | **2,396,110** | 4,955,680 | **2,396,110** | 4,955,680 |
| Mortgage fee income | **1,700,000** | 1,700,000 | **1,950,685** | 2,200,000 |
| Dividend income | **1,010,076** | 538,262 | **1,010,076** | 538,262 |
| Interest on related party receivables | **-** | - | **35,660,590** | 32,680,698 |
| | **7,124,469** | 14,218,101 | **42,119,196** | 45,062,725 |

| Year ended 31 March | Group 2026 Rs. | Group 2025 Rs. | Company 2026 Rs. | Company 2025 Rs. |
|---|---|---|---|---|
| **7.2 Finance Cost** | | | | |
| Interest expense on overdrafts | **8,124,522** | 21,858,771 | **1,593,803** | 6,889,637 |
| Interest expenses on bank loans | **267,466,201** | 331,827,271 | **104,082,032** | 136,084,774 |
| Interest on related party payables | **24,670,907** | 41,753,799 | **24,354,753** | 41,560,715 |
| | **300,261,630** | 395,439,841 | **130,030,588** | 184,535,126 |

## 8 PROFIT/LOSS BEFORE TAX

Profit/Loss before tax is stated after charging all the expenses including the following:

| Year ended 31 March | Group 2026 Rs. | Group 2025 Restated Rs. | Company 2026 Rs. | Company 2025 Restated Rs. |
|---|---|---|---|---|
| Employees benefits including the following | | | | |
| - Salaries and wages | **225,555,407** | 191,390,269 | **92,206,898** | 78,237,939 |
| - Defined benefit plan costs - gratuity | **7,799,851** | 7,468,901 | **4,342,325** | 4,265,216 |
| - Defined contribution plan costs - EPF and ETF | **33,486,567** | 28,453,731 | **13,515,003** | 11,506,792 |
| Director Emoluments | **2,800,000** | 1,873,778 | **1,400,000** | 884,889 |
| Auditors' remuneration | | | | |
| - Statutory audit fee | **2,546,539** | 1,810,000 | **1,775,000** | 1,040,000 |
| - Non audit fee | **3,514,964** | 2,862,398 | **2,114,964** | 1,106,148 |
| Depreciation of property, plant and equipment | **181,822,979** | 191,735,465 | **38,589,640** | 42,979,181 |
| Amortisation of intangible assets | **-** | - | **-** | - |
| Depreciation of right-of-use assets | **2,026,008** | 2,026,008 | **2,026,008** | 2,026,008 |
| Impairment of trade receivables | **(70,171)** | 4,789,957 | **(183,136)** | 5,136,014 |
| Business promotion and advertising costs | **25,382,661** | 24,320,415 | **10,963,051** | 7,257,660 |

## 9 TAX EXPENSE

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

| Year ended 31 March | Group 2026 Rs. | Group 2025 Rs. | Company 2026 Rs. | Company 2025 Rs. |
|---|---|---|---|---|
| **Current income tax** | | | | |
| Income tax expense (9.1) | **-** | - | **-** | - |
| **Income tax (over)/ under provision inrespect of previous years** | **-** | - | **-** | - |
| | | | | |
| **Deferred Income tax** | | | | |
| Deferred taxation charge (9.4) | **(137,429,369)** | (9,936,125) | **(136,732,983)** | (9,414,459) |
| **Income tax expense reported in the statement of profit or loss** | **(137,429,369)** | (9,936,125) | **(136,732,983)** | (9,414,459) |

**9 TAX EXPENSE (Contd.)**

**9.1 A reconciliation between income tax expense and the product of accounting profit / (loss) multiplied by the statutory tax rate is as follows;**

| | Group | | Company | |
|---|---|---|---|---|
| | **2026** | 2025 | **2026** | 2025 |
| | **Rs.** | Rs. | **Rs.** | Rs. |
| Accounting profit / (loss) before income tax | **(234,847,698)** | (152,680,818) | **(47,722,030)** | 17,021,147 |
| Share of profit of associate | **(40,696,164)** | (24,754,911) | **(40,696,164)** | (24,754,911) |
| | **(275,543,862)** | (177,435,730) | **(88,418,194)** | (7,733,764) |
| Less: Aggregate allowable items | **(55,529,880)** | (55,531,403) | **(33,684,108)** | (32,293,493) |
| Add: Aggregate disallowed items | **192,780,349** | 237,247,567 | **44,650,908** | 79,864,462 |
| Less: Non business income | **(48,817,871)** | (90,509,293) | **(47,901,324)** | (88,173,219) |
| Less: Non-taxable income | **(2,396,109)** | (33,596,798) | **(2,396,109)** | (31,964,242) |
| Business loss | **(189,507,373)** | (119,825,657) | **(127,748,827)** | (80,300,256) |
| **Other sources of income** | | | | |
| Interest income | **48,817,870** | 42,443,118 | **47,901,324** | 40,107,044 |
| Interest income exempt from tax | **(9,196,126)** | (633,944) | **(9,196,128)** | (633,944) |
| Total statutory income | **39,621,743** | 41,809,174 | **38,705,196** | 39,473,100 |
| Tax losses deducted against other sources of income | **(39,621,743)** | (41,809,174) | **(38,705,196)** | (39,473,100) |
| Assessable income | - | - | - | - |
| | | | | |
| Less: Qualifying payments | - | - | - | - |
| Total taxable income | - | - | - | - |

| | Group/Company | |
|---|---|---|
| | **2026** | 2025 |
| | **Rs.** | Rs. |
| **Tax losses brought forward** | **1,046,962,159** | 1,007,158,144 |
| Tax loss for the year | **29,051,214** | 79,368,307 |
| Exceeding maximum period | **-** | - |
| Tax losses set off against taxable profit | **(38,705,196)** | (39,564,292) |
| Carried forward tax losses | **1,037,308,177** | 1,046,962,159 |

The Group recognises a deferred tax asset on unused tax losses which is expected to reduce the future tax expense based on the Group's forecasted business plans. However, Deferred tax Assets have not been recognised for unused tax losses amounting to Rs. 591,575,415 /- by the Group and Company.

**9.2 Income tax rates**

**(i) Hotel operations**

The profits and income of the Company arising on provision of tourism related services is liable for taxation at the rate of 30% (2025/26 :30%) in terms of Inland Revenue Act No. 24 of 2017 and amendments thereto.

**Waskaduwa Beach Resort PLC**

Pursuant to agreement dated 19 March 2012, entered into with Board of Investments of Sri Lanka under section 17 of the Board of Investment Law No. 04 of 1978, the provision of the Inland Revenue No. 24 of 2017 relating to the imposition, payment and recovery of income tax in respect of the profit and income of the company shall not apply for a period of twelve (12) years reckoned from the year of assessment 2016/2017 to 2028/2029.

**(ii) Other income and gains**

Income from other sources are taxed at the rate of 30%.

**9.3** In determining the arm's length price, the Group has complied with the transfer pricing regulations prescribed in the Inland Revenue Act and amendment thereto and the Gazette notifications issued on transfer pricing.

## 9 TAX EXPENSE (Contd.)

### 9.4 Deferred tax expense

| Year ended 31 March | Group 2026 Rs. | Group 2025 Restated Rs. | Company 2026 Rs. | Company 2025 Restated Rs. |
|---|---|---|---|---|
| **Deferred tax arising from** | | | | |
| - Accelerated depreciation for tax purposes | **(2,255,107)** | (7,672,626) | **(2,283,360)** | (7,502,343) |
| - Retirement benefit obligation | **(1,509,374)** | (722,695) | **(784,735)** | (371,311) |
| - Benefit arising from tax losses and others | **(133,719,829)** | - | **(133,719,829)** | - |
| - Impairment of trade debtors | **54,941** | (1,540,804) | **54,941** | (1,540,804) |
| **Total deferred tax charge/(reversal)** | **(137,429,369)** | (9,936,125) | **(136,732,983)** | (9,414,459) |

## 10 BASIC/DILUTED PROFIT/(LOSS) PER SHARE

Profit/Loss per share is calculated by dividing the net profit/loss for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

The following reflects the income and share data used in the basic loss per share computations.

| As at 31 March | Group 2026 Rs. | Group 2025 Restated Rs. | Company 2026 Rs. | Company 2025 Restated Rs. |
|---|---|---|---|---|
| **Amounts used as the numerator :** | | | | |
| Net profit/ (loss) for the year attributable to the owners of the parent | **(14,677,471)** | (119,533,377) | **89,010,953** | 26,435,606 |
| | | | | |
| **Amounts used as the denominator :** | | | | |
| Weighted average number of ordinary shares in issue applicable to basic earnings/(loss) per share | **542,663,531** | 524,911,108 | **542,663,531** | 524,911,108 |
| | | | | |
| Basic earnings/ (losses) per share (Rs.) | **(0.03)** | (0.23) | **0.16** | 0.05 |

## 11 FINANCIAL INSTRUMENTS

### 11.1 FINANCIAL ASSETS AND LIABILITIES BY CATEGORIES

The following table shows the carrying amounts and fair values of financial assets and financial liabilities of the Group and the Company.

**a) Financial assets and liabilities by categories -Group**

| As at 31 March | 2026 Fair value through profit or loss Rs. | 2026 Amortised cost Rs. | 2025 Fair value through profit or loss Rs. | 2025 Amortised cost Rs. |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Other current financial assets | | | | |
| - Listed equity investments (Note 21) | **15,746,210** | **-** | 13,350,100 | - |
| - Investments in short term bank deposits (Note 23) | **-** | **-** | - | 31,365,397 |
| Trade and other receivables (Note 19) | **-** | **142,708,316** | - | 306,010,764 |
| **Total financial assets** | **15,746,210** | **142,708,316** | 13,350,100 | 337,376,161 |

## 11 FINANCIAL INSTRUMENTS (Contd.)

| As at 31 March | 2026 Fair value through profit or loss | 2026 Amortised cost | 2025 Fair value through profit or loss | 2025 Amortised cost |
|---|---|---|---|---|
| | Rs. | Rs. | Rs. | Rs. |
| **Financial liabilities** | | | | |
| Interest Bearing Loans and Borrowings (Note 27) | - | 2,873,448,135 | - | 3,046,391,860 |
| Trade and other payables (Note 30) | - | 736,189,560 | - | 503,610,973 |
| Other payables - related parties (Note 30) | - | 115,930,109 | - | 325,430,109 |
| **Total financial liabilities** | - | 3,725,567,804 | - | 3,875,432,942 |

### b) Financial assets and liabilities by categories - Company

| As at 31 March | 2026 Fair value through profit or loss | 2026 Amortised cost | 2025 Fair value through profit or loss | 2025 Amortised cost |
|---|---|---|---|---|
| | Rs. | Rs. | Rs. | Rs. |
| **Financial assets** | | | | |
| Other current financial assets | | | | |
| - Listed equity investments (Note 21) | 15,746,210 | - | 13,350,100 | - |
| Trade and other receivables (Note 19) | - | 146,063,233 | - | 178,303,682 |
| Other receivable - related parties (Note 19) | - | 411,186,983 | - | 379,186,983 |
| **Total financial assets** | 15,746,210 | 557,250,216 | 13,350,100 | 557,490,665 |

| As at 31 March | 2026 Fair value through profit or loss | 2026 Amortised cost | 2025 Fair value through profit or loss | 2025 Amortised cost |
|---|---|---|---|---|
| | Rs. | Rs. | Rs. | Rs. |
| **Financial liabilities** | | | | |
| Interest Bearing Loans and Borrowings (Note 27) | - | 1,069,856,758 | - | 1,221,596,279 |
| Trade and other payables (Note 30) | - | 343,078,836 | - | 128,277,336 |
| Other payables - related parties (Note 30) | - | 115,930,109 | - | 325,430,109 |
| **Total financial liabilities** | - | 1,528,865,703 | - | 1,675,303,724 |

#### Financial assets of which carrying values are reasonable approximates at their fair value

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

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

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

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

## 12 FAIR VALUE MEASUREMENT

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities.

### 12.1 Group

Fair value measurement hierarchy for assets as at 31 March 2026 and 2025:

| Assets measured at fair value: | Note | Date of valuation | Total | Fair value measurement using | | |
|---|---|---|---|---|---|---|
| | | | | Quoted prices in active markets (Level 1) | Significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
| | | | | Rs. | Rs. | Rs. |
| **As at 31 March 2026** | | | | | | |
| **Non-financial assets** | | | | | | |
| Property, plant and equipment | | | | | | |
| - Land | **(Note 13)** | **31 March 2026** | **2,020,323,400** | **-** | **-** | **2,020,323,400** |
| - Buildings | **(Note 13)** | **31 March 2026** | **5,044,392,100** | **-** | **-** | **5,044,392,100** |
| Investment properties | | | | | | |
| - Land | **(Note 14)** | **31 March 2026** | **633,900,700** | **-** | **-** | **633,900,700** |
| - Buildings | **(Note 14)** | **31 March 2026** | **5,366,266** | **-** | **-** | **5,366,266** |
| Non financial assets as at 31 March 2026 | | | **7,703,982,466** | **-** | **-** | **7,703,982,466** |
| | | | | | | |
| **Financial assets** | | | | | | |
| **Equity instruments designated at fair value through profit or loss** | | | | | | |
| Quoted equity shares | **(Note 21)** | **31 March 2026** | **15,746,210** | **15,746,210** | - | - |
| Financial assets as at 31 March 2026 | | | **15,746,210** | **15,746,210** | - | - |
| | | | | | | |
| **As at 31 March 2025** | | | | | | |
| **Non-financial assets** | | | | | | |
| Property, plant and equipment | | | | | | |
| - Land | (Note 13) | 31 March 2025 | 1,985,345,000 | - | - | 1,985,345,000 |
| - Buildings | (Note 13) | 31 March 2025 | 4,955,115,319 | - | - | 4,955,115,319 |
| Investment properties | | | | | | |
| - Land | (Note 14) | 31 March 2025 | 633,900,700 | - | - | 633,900,700 |
| - Buildings | (Note 14) | 31 March 2025 | 5,366,266 | - | - | 5,366,266 |
| Non financial assets as at 31 March 2025 | | | 7,579,727,285 | - | - | 7,579,727,285 |
| | | | | | | |
| **Financial assets** | | | | | | |
| **Equity instruments designated at fair value through profit or loss** | | | | | | |
| Quoted equity shares | (Note 21) | 31 March 2025 | 13,350,100 | 13,350,100 | - | - |
| Financial assets as at 31 March 2025 | | | 13,350,100 | 13,350,100 | - | - |

## 13 PROPERTY, PLANT AND EQUIPMENT

### 13.1 Group

#### 13.1.1 Gross carrying amounts

| | Balance as at 01.04.2025 | Additions / Transfers in | Disposals | Revaluations | Not Transfers on revaluations | **Balance as at 31.03.2026** |
|---|---|---|---|---|---|---|
| | Rs. | Rs. | Rs. | Rs. | Rs. | **Rs.** |
| **At cost or valuation** | | | | | | |
| Freehold Land & Land Improvements | 1,985,345,000 | - | - | 34,978,400 | - | **2,020,323,400** |
| Buildings | 4,955,115,319 | 1,855,850 | - | 226,620,279 | (139,199,348) | **5,044,392,100** |
| Furniture and Fittings | 257,694,253 | 13,656,571 | - | - | - | **271,350,824** |
| Plant & Machinery | 138,521,027 | 1,540,925 | - | - | - | **140,061,952** |
| Office Equipment | 5,406,631 | 1,131,963 | - | - | - | **6,538,594** |
| Computer equipment | 22,523,420 | 841,130 | - | - | - | **23,364,550** |
| Sundry Equipment / Generator & Transformers / Motor Vehicles | 98,136,927 | 127,155 | - | - | - | **98,264,082** |
| Linen and Furnishing | 95,765,134 | 4,009,463 | - | - | - | **99,774,597** |
| Kitchen Utensils and Other Equipment | 153,141,320 | 522,211 | - | - | - | **153,663,531** |
| Air Condition Systems | 251,359,283 | 3,914,316 | - | - | - | **255,273,599** |
| Gardening & Other Equipment | 15,230,237 | - | - | - | - | **15,230,237** |
| Electrical Fitting | 130,625,028 | 1,598,918 | - | - | - | **132,223,946** |
| Cutlery Crockery & Glassware | 14,573,434 | 1,161,449 | (795,990) | - | - | **14,938,893** |
| Entertainment and Security Equipment | 76,844,096 | 1,670,888 | - | | | **78,514,984** |
| | 8,200,281,109 | 32,030,839 | (795,990) | 261,598,679 | (139,199,348) | **8,353,915,289** |

### 13.1.2 Depreciation

| | Balance As at 01.04.2025 Rs. | Charge for the year Rs. | Disposals Rs. | Not Transfers on revaluations Rs. | **Balance As at 31.03.2026 Rs.** |
|---|---|---|---|---|---|
| **At cost or valuation** | | | | | |
| Buildings | - | 139,199,348 | - | (139,199,348) | **-** |
| Furniture and Fittings | 250,633,178 | 3,485,211 | - | - | **254,118,389** |
| Plant & Machinery | 131,736,402 | 1,244,700 | - | - | **132,981,102** |
| Office Equipment | 3,147,567 | 501,192 | - | - | **3,648,759** |
| Computer equipment | 20,837,265 | 944,832 | - | - | **21,782,097** |
| Sundry Equipment / Generator & Transformers / Motor Vehicles | 68,049,039 | 5,756,086 | - | - | **73,805,125** |
| Linen and Furnishing | 84,976,033 | 6,043,287 | - | - | **91,019,320** |
| Kitchen Utensils and Other Equipment | 142,584,814 | 1,896,555 | - | - | **144,481,369** |
| Air Condition Systems | 190,145,955 | 13,768,376 | - | - | **203,914,331** |
| Gardening & Other Equipment | 1,967,991 | 837,194 | - | - | **2,805,185** |
| Electrical Fittings | 110,834,626 | 1,951,530 | - | - | **112,786,156** |
| Cutlery Crockery & Glassware | 11,411,291 | 2,908,247 | (795,990) | - | **13,523,548** |
| Entertainment and Security Equipment | 71,863,127 | 3,286,421 | - | - | **75,149,548** |
| | 1,088,187,288 | 181,822,979 | (795,990) | (139,199,348) | **1,130,014,929** |

# Notes to the Financial Statements

**13 PROPERTY, PLANT AND EQUIPMENT (Contd.)**

**13.1.3** Net book values

| | 2026 Rs. | 2025 Rs. |
|---|---|---|
| **At cost or valuation** | | |
| Freehold Land & Land Improvements | **2,020,323,400** | 1,985,345,000 |
| Buildings | **5,044,392,100** | 4,955,115,319 |
| Furniture and Fittings | **17,232,435** | 7,061,075 |
| Plant & Machinery | **7,080,850** | 6,784,625 |
| Office Equipment | **2,889,835** | 2,259,064 |
| Computer Equipment | **1,582,453** | 1,686,155 |
| Sundry Equipment / Generator & Transformers / Motor Vehicles | **24,458,957** | 30,087,888 |
| Linen and Furnishing | **8,755,277** | 10,789,101 |
| Kitchen Utensils and Other Equipment | **9,182,162** | 10,556,506 |
| Air Condition Systems | **51,359,268** | 61,213,328 |
| Gardening & Other Equipment | **12,425,052** | 13,262,246 |
| Electrical Fittings | **19,437,790** | 19,790,402 |
| Cutlery Crockery & Glassware | **1,415,345** | 3,162,143 |
| Entertainment and Security Equipment | **3,365,436** | 4,980,969 |
| | **7,223,900,360** | 7,112,093,821 |
| **In the course of construction** | | |
| Building work in progress | **36,668,907** | - |
| | | |
| Total carrying amount of property, plant and equipment | **7,260,569,267** | 7,112,093,821 |

**13.1.4** During the financial year, the Group acquired property, plant and equipment for cash to the aggregate value of Rs. 68,699,746/- (2025 - Rs. 14,902,064/-)

**13.1.5** Property, Plant and Equipment includes fully depreciated assets having a gross carrying amount of Rs. 921,345,888/- (2025: Rs. 819,063,032/- )

### 13.2 Company

#### 13.2.1 Gross Carrying Amounts

| | Balance as at 01.04.2025 Rs. | Additions / Transfers in Rs. | Disposals Rs. | Revaluations Rs. | Adjustment on revaluations Rs. | **Balance as at 31.03.2026 Rs.** |
|---|---|---|---|---|---|---|
| **At cost or valuation** | | | | | | |
| Freehold Land & Land Improvements | 574,965,000 | - | - | 20,598,600 | - | **595,563,600** |
| Buildings | 982,696,508 | 1,855,850 | - | 32,937,812 | (24,961,420) | **992,528,750** |
| Furniture and Fittings | 60,291,135 | 9,951,008 | - | - | - | **70,242,143** |
| Plant & Machinery | 885,272 | - | - | - | - | **885,272** |
| Office Equipment | 5,406,631 | 1,131,963 | - | - | - | **6,538,594** |
| Sundry Equipment / Generator & Transformers / Motor Vehicles | 41,097,048 | 127,155 | - | - | - | **41,224,203** |
| Linen and Furnishing | 21,177,179 | 2,625,125 | - | - | - | **23,802,304** |
| Kitchen Utensils and Other Equipment | 24,927,688 | - | - | - | - | **24,927,688** |
| Air Condition Systems | 64,263,057 | 3,469,410 | - | - | - | **67,732,467** |
| Gardening & Other Equipment | 15,230,237 | - | - | - | - | **15,230,237** |
| Electrical Fittings | 46,220,421 | 350,707 | - | - | - | **46,571,128** |
| Cutlery Crockery & Glassware | 3,903,962 | 266,970 | (795,990) | - | - | **3,374,942** |
| Entertainment & Security Equipment | 4,704,683 | 339,100 | - | - | - | **5,043,783** |
| | **1,845,768,821** | **20,117,288** | **(795,990)** | **53,536,412** | **(24,961,420)** | **1,893,665,111** |

# Notes to the Financial Statements

## 13 PROPERTY, PLANT AND EQUIPMENT (Contd.)

### 13.2.2 Depreciation

| | Balance as at 01.04.2025 Rs. | Charge for the year Rs. | Disposals Rs. | Adjustment on revaluations Rs. | **Balance as at 31.03.2026 Rs.** |
|---|---|---|---|---|---|
| At cost or valuation | | | | | |
| Buildings | - | 24,961,420 | - | (24,961,420) | **-** |
| Furniture & Fittings | 55,591,980 | 2,362,201 | - | - | **57,954,181** |
| Plant & Machinery | 885,272 | - | - | - | **885,272** |
| Office Equipment | 3,147,568 | 501,191 | - | - | **3,648,759** |
| Sundry Equipment / Generator & Transformers / Motor Vehicles | 37,090,425 | 2,030,145 | - | - | **39,120,570** |
| Linen and Furnishing | 18,041,938 | 2,347,627 | - | - | **20,389,564** |
| Kitchen Utensils and Other Equipment | 17,712,794 | 1,221,066 | - | - | **18,933,860** |
| Air Condition Systems | 59,769,941 | 1,279,089 | - | - | **61,049,029** |
| Gardening & Other Equipment | 1,967,991 | 837,194 | - | - | **2,805,185** |
| Electrical Fitting | 33,429,066 | 891,427 | - | - | **34,320,493** |
| Cutlery Crockery & Glassware | 2,260,339 | 1,851,380 | (795,990) | - | **3,315,729** |
| Entertainment & Security Equipment | 4,214,250 | 306,900 | - | - | **4,521,150** |
| **Total Depreciation** | 234,111,564 | 38,589,640 | (795,990) | (24,961,420) | **246,943,792** |

### 13.2.3 Net book values

| | **2026 Rs.** | 2025 Rs. |
|---|---|---|
| **At cost or valuation** | | |
| Freehold Land & Land Improvements | **595,563,600** | 574,965,000 |
| Buildings | **992,528,750** | 982,696,508 |
| Furniture & Fittings | **12,287,962** | 4,699,155 |
| Office Equipment | **2,889,835** | 2,259,063 |
| Sundry Equipment / Generator and Transformers / Motor Vehicles | **2,103,633** | 4,006,623 |
| Linen and Furnishing | **3,412,740** | 3,135,242 |
| Kitchen Utensils and Other Equipment | **5,993,828** | 7,214,893 |
| Air Condition Systems | **6,683,438** | 4,493,117 |
| Gardening & Other Equipment | **12,425,052** | 13,262,246 |
| Electrical Fitting | **12,250,635** | 12,791,355 |
| Cutlery Crockery & Glassware | **59,213** | 1,643,623 |
| Entertainment & Security Equipment | **522,633** | 490,433 |
| | **1,646,721,319** | 1,611,657,258 |
| | | |
| **Total carrying amount of property, plant and equipment** | **1,646,721,319** | 1,611,657,258 |

**13.2.4** During the financial year, the company acquired property, plant and equipment for cash to the aggregate value of Rs. 20,117,288/- (2025- Rs.2,595,372/-).

**13.2.5** Property, Plant and Equipment includes fully depreciated assets having a gross carrying amount of Rs. 264,976,391/- (2025: Rs. 178,798,365/- )

### 13.3 Revaluation of land, land improvements

The freehold land and buildings belonging to Waskaduwa Beach Resort PLC and Hikkaduwa Beach Resort PLC were revalued by Mr. T. M. H. Mutaliph - D.I.V – F.P (CTC - Sri Lanka), an Independent Chartered Valuer as at 31 March 2026. The results of such revaluation were incorporated in these financial statements from its effective date which is 31 March 2026. Such assets were valued based on market based evidence and depreciated replacement cost method. The surplus arising from the revaluation was transferred to the revaluation reserve.

### 13.3.1 Valuation technique, inputs and relationship with fair value

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

**Hikkaduwa Beach Resort PLC**

| Property | Valuation technique | Effective date of valuation | Significant unobservable inputs | Sensitivity of the input to the fair value |
|---|---|---|---|---|
| Land and Land Improvement | Open market value method<br>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. | 31 March 2026 | Price per perch of land<br>Rs. 1,716,000/- | Estimated fair value would increase/ (decrease) if ;- Price per perch increases/ (decreases) |
| Buildings | Depreciated replacement cost method | 31 March 2026 | Price per Sq.ft<br>9,500 to 18,750 | Estimated fair value would increase/ (decrease) if ;- Price per perch increases/ (decreases) |

**Waskaduwa Beach Resort PLC**

| Property | Valuation technique | Effective date of valuation | Significant unobservable inputs | Sensitivity of the input to the fair value |
|---|---|---|---|---|
| Land and Land Improvement | “Open market value method<br>This method considers the selling price of a similar property within a reasonably recent period of time in the determining the value of property being revalued. This involves evaluation of recent active market price of similar assets,making appropriate adjustments for difference in size, nature and location of the property.” | 31 March 2026 | Price per perch of land<br>Rs.1,010,000/- | Estimated fair value would increase/ (decrease) if ;- Price per perch increases/ (decreases) |
| Buildings | Depreciated replacement cost method | 31 March 2026 | Price per Sq.ft<br>3,000 to 27,500 | Estimated fair value would increase/ (decrease) if ;- Price per perch increases/ (decreases) |

# Notes to the Financial Statements

## 13 PROPERTY, PLANT AND EQUIPMENT (Contd.)

### 13.4 Value and ownership of freehold land and freehold buildings of the Group.

| Group | Location | Property | No. of Buildings | Ownership | Extent | Carrying value Rs. |
|---|---|---|---|---|---|---|
| Hikkaduwa Beach Resort PLC | No. 400, Galle Road, Hikkaduwa. | Land | - | Freehold | 312.10 Perches | 535,563,600 |
| | | Landscaping, Gardening | | Freehold | | 60,000,000 |
| | | Building | 01 | Freehold | 80,700 Sq. ft | 992,528,750 |
| Waskaduwa Beach Resort PLC | No. 427. Kuda waskaduwa, Waskaduwa. | Land | - | Freehold | 1,377.98 Perches | 1,391,759,800 |
| | | Landscaping, Gardening | | Freehold | | 33,000,000 |
| | | Building | 04 | Freehold | 263,740 Sq. ft | 4,051,863,350 |

**13.5** The carrying amount of revalued assets that would have been included in the group Financial statements had the assets been carried at cost less accumulated depreciation is as follows.

| | Cost Rs. | Cumulative depreciation if assets were carried at cost Rs. | **Net carrying amount 2026 Rs.** | Net carrying amount 2025 Rs. |
|---|---|---|---|---|
| **Class of assets** | | | | |
| Lands | 869,823,714 | - | **869,823,714** | 869,823,714 |
| Buildings | 3,261,633,916 | (970,761,734) | **2,290,872,182** | 2,428,215,680 |
| | 4,131,457,630 | (970,761,734) | **3,160,695,896** | 3,298,039,394 |

### 13.6 Impairment assessment of property, plant and equipment

Hotel properties were identified as separate CGUs by the group for purposes of assessing impairment. The impairment test was carried out for the Group's Hotel properties in subsidiaries considering their fair value less cost to sell and value in use. In determining the recoverable value for the CGU, following assumptions were applied. The recoverable amount of the CGU was higher than the book value as of 31 March 2026, and no impairment loss was recognised.

The key assumptions used to determine the recoverable amount for the different cash generating units, are as follows;

| | **2026** | 2025 |
|---|---|---|
| Discount Rate : | **11.56%** | 15.13% |
| Terminal Growth Rate : | **4.0%** | 4.00% |
| Price per perch of land | **Rs. 1,716,000** | Rs. 1,650,000 |
| Rate per square feet of building | **Rs: 9,500 - Rs: 18,750** | Rs: 9,746 - Rs: 17,500 |

## 14 INVESTMENT PROPERTY

| | Group | | Company | |
|---|---|---|---|---|
| As at 31 March | **2026** | 2025 | **2026** | 2025 |
| | **Rs.** | Rs. | **Rs.** | Rs. |
| **Carrying value** | | | | |
| At the beginning of the year | **639,266,966** | 639,266,966 | **639,266,966** | 639,266,966 |
| Change in fair value during the year | - | - | - | - |
| At the end of the year | **639,266,966** | 639,266,966 | **639,266,966** | 639,266,966 |

The details relating to assets were classified as Investment properties as at 31 March are stated below;

| | Group | | Company | |
|---|---|---|---|---|
| As at 31 March | **2026** | 2025 | **2026** | 2025 |
| | **Rs.** | Rs. | **Rs.** | Rs. |
| **Assets** | | | | |
| Land | **633,900,700** | 633,900,700 | **633,900,700** | 633,900,700 |
| Buildings | **5,366,266** | 5,366,266 | **5,366,266** | 5,366,266 |
| | **639,266,966** | 639,266,966 | **639,266,966** | 639,266,966 |

### Valuation Details Of Investment Property

Fair value of the investment property is ascertained by Mr. T. M. H. Mutaliph - D.I.V – F.P (CTC – Sri Lanka), Chartered Valuer, who has recent experience in valuing properties of similar location and category. Investment property is appraised in accordance with LKAS 40, SLFRS 13 and International Valuation Standards published by the International Valuation Standards Committee (IVSC) by the independent valuers. In determining the fair value, the current condition of the properties, future usability and associated re-development requirements have been considered. Also, the valuers have made reference to market evidence of transaction prices for similar properties, with appropriate adjustments for size and location. The appraised fair values are rounded within the range of values.

Consequently, as at the reporting date, the value reflected represents the best estimate based on the market conditions that prevailed, which in considered opinion, meets the requirements in SLFRS-13 Fair Value Measurement.

## 14 INVESTMENT PROPERTY (Contd.)

**Description of valuation techniques used to valuation on investment properties:**

| Property | Location | Method of valuation | Significant unobservable inputs | Price per perch/acre/ range | Effective date of valuation | Value Rs |
|---|---|---|---|---|---|---|
| Land | Munaithottam, Pasikudah, Kalkudah. | Open market value method | 1.77 acres<br>10.74 acres | Rs. 4,500,000/-<br>Rs. 35,200,000/- | 31 March 2026<br>31 March 2026 | 22,684,000<br>377,929,200 |
| Land | Kajuwatta Road, Mukkuthoduwawa, Madurankuliya | Open market value method | 5 Acres<br>38.325 Acres | Rs.4,500,000 an acre<br>Rs.5,500,000 an acre | 31 March 2026 | 22,500,000<br>210,787,500 |
| Building | Kajuwatta Road, Mukkuthoduwawa, Madurankuliya | Depreciated replacement cost method | | | | 5,366,266 |

## 15 RIGHT-OF-USE ASSETS

| | Group / Company | |
|---|---|---|
| | **2026** | 2025 |
| | **Rs.** | Rs. |
| **Cost** | | |
| As at the beginning of the year | **184,366,923** | 184,366,923 |
| New lease entered during the year | **-** | - |
| As at the end of the year | **184,366,923** | 184,366,923 |
| | | |
| **Accumulated depreciation** | | |
| As at the beginning of the year | **12,156,048** | 10,130,040 |
| Depreciation charge for the year | **2,026,008** | 2,026,008 |
| As at the end of the year | **14,182,056** | 12,156,048 |
| **Carrying value** | **170,184,867** | 172,210,875 |

The Above balances represents the leasehold right obtained from Asia Sports Management (Private) Limited for a period of 99 years by Citrus Leisure PLC and Sub lease of the property to Hikkaduwa Beach Resort PLC.

Details of the said land is given below:

Property : Sanathoduwa, Kalpitiya, Puttalam
Land Extent (In Perches): 5,680
Lease Period : 99 Years from 14 February 2011

## 16 INTANGIBLE ASSETS

### 16.1 Group

| | Website Development Cost | Computer Software | **2026** | 2025 |
|---|---|---|---|---|
| | Rs. | Rs. | **Rs.** | Rs. |
| **Cost** | | | | |
| At the beginning of the year | 1,067,583 | 2,796,027 | **3,863,610** | 3,863,610 |
| Acquisitions during the year | - | - | **-** | - |
| At the end of the year | 1,067,583 | 2,796,027 | **3,863,610** | 3,863,610 |
| | | | | |
| **Amortisation** | | | | |
| At the beginning of the year | 1,067,583 | 2,796,027 | **3,863,610** | 3,863,610 |
| Amortisation for the year | - | - | **-** | - |
| At the end of the year | 1,067,583 | 2,796,027 | **3,863,610** | 3,863,610 |
| **Carrying amount** | - | - | **-** | - |

### 16.2 Company

| | Computer Software | |
|---|---|---|
| | **2026** | 2025 |
| | **Rs.** | Rs. |
| **Cost** | | |
| As at the beginning of the year | **1,552,937** | 1,552,937 |
| Acquisitions during the Year | **-** | - |
| As at the end of the year | **1,552,937** | 1,552,937 |
| | | |
| **Amortisation** | | |
| At the beginning of the year | **1,552,937** | 1,552,937 |
| Amortisation for the year | **-** | - |
| At the end of the year | **1,552,937** | 1,552,937 |
| **Carrying amount** | | |

## 17 INVESTMENT IN ASSOCIATE

The Group has a 20.22% interest in Colombo Land & Development Company PLC, which is involved in leasing out investment property under operating leases and also involved in development of investment property. The cost of investment as at acquisition date was Rs.1,303,303,398/-.

Colombo Land and Development Company PLC ("Company") is a public limited liability Company listed on Colombo Stock Exchange and incorporated and domiciled in Sri Lanka. The registered office and principal place of business of the Company is located at No. 250 - 3/8, (3rd Floor) Liberty Plaza, R. A. De Mel Mawatha, Colombo 3.

| | Group / Company | | | |
|---|---|---|---|---|
| Carrying value of the investment | **2026 No of shares** | 2025 No of shares | **2026 Rs.** | 2025 Rs. |
| Colombo Land & Development Company PLC | **40,413,200** | 40,413,200 | **2,269,557,006** | 2,243,671,211 |
| Share of profit of associate | | | **40,696,164** | 24,754,911 |
| Share of other comprehensive income of associate | | | **5,358,507** | 1,130,884 |
| | | | **2,315,611,677** | 2,269,557,006 |
| Impairment of investment in associate (Note 17.4) | | | **(98,697,613)** | - |
| Group's carrying amount of the investment | | | **2,216,914,064** | 2,269,557,006 |

### 17.1 Summarised Financial information of associate - Group

The following table illustrates the summarised financial information of Colombo Land & Development Company PLC:

| | **As at 31.03.2026 Rs.** | As at 31.03.2025 Rs. |
|---|---|---|
| **Statement of financial position** | | |
| Current assets | **308,243,398** | 176,904,276 |
| Non- current assets | **14,024,127,673** | 14,055,701,270 |
| Current liabilities | **(427,371,220)** | (376,976,520) |
| Non- current liabilities | **(5,245,614,163)** | (5,426,545,167) |
| **Total equity** | **8,659,385,688** | 8,429,083,859 |

**Summarised statement of profit or loss and other comprehensive income**

| | **Year Ended 31.03.2026 Rs.** | Year Ended 31.03.2025 Rs. |
|---|---|---|
| Revenue | **470,641,173** | 448,252,606 |
| Direct expenses | **(128,994,893)** | (151,569,773) |
| Other operating income | **9,640,853** | 24,018,855 |
| Change in fair value of investment properties | **468,793,355** | 393,171,636 |
| Loss on Disposal of Investment Property | **(160,063,000)** | - |
| Fair Valuation of Biological Assets | **(28,231,134)** | 3,761,190 |
| Selling and Distribution Costs | **(2,339,733)** | 4,856,801 |
| Administrative expenses | **(120,221,241)** | (147,534,038) |
| Finance cost | **(126,115,235)** | (182,740,198) |
| **Profit before tax** | **383,110,145** | 392,217,079 |
| Tax Expenses | **(181,829,616)** | (269,789,228) |
| **Profit for the year** | **201,280,529** | 122,427,851 |
| **Group's share of profit for the year** | **40,696,164** | 24,754,911 |

| | As at 31.03.2026 Rs. | As at 31.03.2025 Rs. |
|---|---|---|
| **Other Comprehensive Income** | | |
| Other Comprehensive Income for the year | **26,502,819** | 5,592,900 |
| **Group share of other comprehensive income for the year** | **5,358,507** | 1,130,884 |

**17.2 Contingent Liabilities**

The associate does not have significant contingent liabilities as at 31 March 2026.

**17.3 Market value of the investment as at 31 March,**

| | 2026 Rs. | 2025 Rs. |
|---|---|---|
| Market value of a share | **52.00** | 22.50 |
| | | |
| Market value of the investment | **2,101,486,400** | 909,297,000 |

**17.4** The Group performed an impairment assessment of the carrying value of the investment considering indicators of impairment identified as at 31 March 2026.

In performing the impairment assessment, the Management determined the fair value of the investment held in Colombo Land and Development Company PLC. The investment in associate has been considered as a single cash-generating unit, assuming the associate to operate as is with no expansionary capital expenditure projections.

Multiple valuation techniques were used in arriving at the recoverable value of the investment, out of which the recoverable value was concluded based on Discounted cash flow methodology ("DCF") of Colombo Land and Development Company PLC. As a prudent measure in the valuation, the land extent considered by Colombo Land and Development Company PLC in was used. Accordingly, fair value of Colombo Land and Development Company PLC is less than the Value In Use and indicates an Impairment of LKR 98.7mn.

| | | |
|---|---|---|
| Valuation method used | : | Discounted cash flow methodology ("DCF") |
| Recoverable value identified | : | Rs.2,216,914,064/- |
| Period considered for clashflow projection | : | 04 Years |
| Discount Rate | : | 14.08% |

A 10% increase in the deep discount would decrease the recoverable value by Rs. 156,113,844/-, while a 10% decrease in the deep discount would increase the recoverable value by Rs. 36,971,215/-.

## 18 INVESTMENT IN SUBSIDIARY - COMPANY

| | Holding | | Carrying value | |
|---|---|---|---|---|
| As at 31 March | **2026** | 2025 | **2026** | 2025 |
| | **Rs.** | Rs. | **Rs.** | Rs. |
| **Quoted** | | | | |
| Waskaduwa Beach Resort PLC | **51.05%** | 55.96% | **2,362,840,005** | 2,445,640,005 |
| Less: Impairment of subsidiary (Note 18.1) | | | **(454,900,670)** | (454,900,670) |
| | | | **1,907,939,435** | 1,990,739,335 |
| 18.1 **Waskaduwa Beach Resort PLC** | | | | |
| As at the beginning of the year | | | **2,445,640,005** | 2,336,752,445 |
| Investment during the Year | | | **-** | 561,814,596 |
| Share Disposal during the Year | | | **(82,800,000)** | (452,927,036) |
| As at the end of the year | | | **2,362,840,005** | 2,445,640,005 |

### 18.2 Impairment of subsidiary

The Group performed an impairment test of carrying value of the investment in Waskaduwa Beach Resort PLC in the separate financial statements of the Company having considering the losses incurred by the subsidiary. The recoverable amount of the investment in Subsidiary as at the reporting date was based on value in use and was determined at the level of the CGU. There was no further impairment provision required for the current year as the carrying amount of the investment did not fall below its fair recoverable value.

| | **2026** | 2025 |
|---|---|---|
| | **Rs.** | Rs. |
| As at the beginning of the year | **454,900,670** | 454,900,670 |
| Charge to the statement of profit or loss | **-** | - |
| **As at end of the year** | **454,900,670** | 454,900,670 |

Key assumptions applied in the determination of value in use are as follows;

| | **2026** | 2025 |
|---|---|---|
| | **Rs.** | Rs. |
| Discount Rate : | **11.56%** | 12.49% |
| Terminal Growth Rate : | **4.00%** | 4.00% |

## 19 TRADE AND OTHER RECEIVABLES

| | Group | | Company | |
|---|---|---|---|---|
| As at 31 March | **2026** | 2025 | **2026** | 2025 |
| | **Rs.** | Rs. | **Rs.** | Rs. |
| Trade debtors - Others | **116,013,524** | 283,440,356 | **60,496,598** | 129,283,895 |
| - Related parties (Note 19.3) | **8,841,915** | 12,252,499 | **798,525** | 184,125 |
| Total trade debtors (Note 19.1) | **124,855,439** | 295,692,855 | **61,295,123** | 129,468,020 |
| Less: Impairment for trade debtors (Note 19.1) | **(15,692,522)** | (15,762,694) | **(9,960,192)** | (10,143,328) |
| | **109,162,917** | 279,930,161 | **51,334,931** | 119,324,692 |
| Other debtors - Others | **31,716,549** | 26,080,603 | **22,329,893** | 15,356,901 |
| - Related parties (Note 19.4) | **1,828,850** | - | **72,398,409** | 43,622,089 |
| Total Current trade and other receivables | **142,708,316** | 306,010,764 | **146,063,233** | 178,303,682 |
| | | | | |
| **Current trade and other receivables** | **142,708,316** | 306,010,764 | **146,063,233** | 178,303,682 |
| **Non-current other receivables - related parties (Note 19.4)** | **-** | - | **411,186,983** | 379,186,983 |

**19.1 As at 31 March, the ageing analysis of trade receivables are as follows:**

| **Group** | | Neither past due nor impaired < 30 Days | Past due | | | | | Total |
|---|---|---|---|---|---|---|---|---|
| | | | 31 - 60 Days | 61 - 90 Days | 91 - 180 Days | 181-365 Days | >365 Days | |
| | | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. |
| 2026 | Trade Debtors | **89,226,937** | **11,889,424** | **1,249,840** | **597,204** | **3,596,509** | **18,295,525** | **124,855,439** |
| | Less: Impairment for trade debtors | **-** | **-** | **-** | **-** | **-** | **(15,692,522)** | **(15,692,522)** |
| | | **89,226,937** | **11,889,424** | **1,249,840** | **597,204** | **3,596,509** | **2,603,003** | **109,162,917** |
| 2025 | Trade Debtors | 152,365,399 | 115,214,600 | 10,589,857 | 272,170 | 7,941,151 | 9,309,677 | 295,692,855 |
| | Less: Impairment for trade debtors | - | - | (106,483) | - | (6,346,534) | (9,309,677) | (15,762,694) |
| | | 152,365,399 | 115,214,600 | 10,483,374 | 272,170 | 1,594,617 | - | 279,930,161 |

| **Company** | | Neither past due nor impaired < 30 Days | Past due | | | | | Total |
|---|---|---|---|---|---|---|---|---|
| | | | 31 - 60 Days | 61 - 90 Days | 91 - 180 Days | 181-365 Days | >365 Days | |
| | | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. |
| 2026 | Trade Debtors | **46,492,736** | **4,535,703** | **46,390** | **37,204** | **84,373** | **10,098,717** | **61,295,123** |
| | Less: Impairment for trade debtors | **-** | **-** | **-** | **-** | **-** | **(9,960,192)** | **(9,960,192)** |
| | | **46,492,736** | **4,535,703** | **46,390** | **37,204** | **84,373** | **138,525** | **51,334,931** |
| 2025 | Trade Debtors | 83,246,605 | 35,983,385 | 201,185 | - | 4,231,770 | 5,805,075 | 129,468,020 |
| | Less: Impairment for trade debtors | - | - | (106,483) | - | (4,231,770) | (5,805,075) | (10,143,328) |
| | | 83,246,605 | 35,983,385 | 94,702 | - | - | - | 119,324,692 |

**19.2 Impairment of debtors**

Management has carried out an impairment provision based on the simplified approach of ECL method. Management considered 100% ECL for debtors outstanding as at 31 March 2026 in determining the provision matrix for ECL. In Addition company has also taken prudent measures to evaluate less than 365 days debtors and to maintain provision where appropriate.

Refer Note 36.5 on credit risk of trade receivables, which discuss how the Group measure credit quality of trade receivables that are neither past due nor impairment.

For terms and conditions with related parties, refer to Note 35.1

19 TRADE AND OTHER RECEIVABLES (Contd.)

19.3 Trade debtors - Related Parties

| As at 31 March | Relationship | Group 2026 Rs. | Group 2025 Rs. | Company 2026 Rs. | Company 2025 Rs. |
|---|---|---|---|---|---|
| George Steuart Health (Pvt) Ltd | Affiliate Company | **1,120,880** | 4,535,330 | **714,780** | 54,780 |
| Triad (Pvt) Ltd | Affiliate Company | **424,245** | 438,127 | **83,745** | 129,345 |
| George Steuart Travels Ltd | Affiliate Company | **350,160** | - | - | - |
| George Steuart Solutions (Pvt) Ltd | Affiliate Company | **956,195** | 1,068,188 | **-** | - |
| Liberty Publishers (Pvt) Ltd | Affiliate Company | **500,000** | 570,000 | **-** | - |
| Power House Limited | Affiliate Company | **117,322** | 267,742 | **-** | - |
| George Steuart Engineering (Pvt) Ltd | Affiliate Company | **5,373,113** | 5,373,112 | **-** | - |
| | | **8,841,915** | 12,252,499 | **798,525** | 184,125 |

19.4 Other debtors - Related Parties

| Company<br>As at 31 March | Relationship | 2026 Total Rs. | 2026 Non current Rs. | 2026 Current Rs. | 2025 Total Rs. | 2025 Non current Rs. | 2025 Current Rs. |
|---|---|---|---|---|---|---|---|
| Citrus Silver Limited | Affiliate Company | **1,726,500** | **-** | **1,726,500** | - | - | - |
| Waskaduwa Beach Resort PLC | Subsidiary Company | **481,858,892** | **411,186,983** | **70,671,909** | 422,809,072 | 379,186,983 | 43,622,089 |
| | | **483,585,392** | **411,186,983** | **72,398,409** | 422,809,072 | 379,186,983 | 43,622,089 |
| | | | | | | | |
| **Group** | | | | | | | |
| Citrus Silver Limited | Affiliate Company | **1,828,850** | **-** | **1,828,850** | **-** | **-** | **-** |
| | | **1,828,850** | **-** | **1,828,850** | **-** | **-** | **-** |

## 20 INVENTORIES

| As at 31 March | Group 2026 Rs. | Group 2025 Rs. | Company 2026 Rs. | Company 2025 Rs. |
|---|---|---|---|---|
| Food & Beverage | **25,807,929** | 29,116,450 | **6,153,610** | 6,963,450 |
| Housekeeping and Maintenance | **10,195,901** | 14,652,369 | **5,506,748** | 7,734,625 |
| Other Stocks | **19,657,951** | 8,499,929 | **946,564** | 908,383 |
| | **55,661,781** | 52,268,748 | **12,606,922** | 15,606,458 |

## 21 OTHER CURRENT FINANCIAL ASSETS

| As at 31 March | Group 2026 Rs. | Group 2025 Rs. | Company 2026 Rs. | Company 2025 Rs. |
|---|---|---|---|---|
| **Equity instruments designated at fair value through profit or loss** | | | | |
| Listed equity investments (Note 21.1) | **15,746,210** | 13,350,100 | **15,746,210** | 13,350,100 |
| **Total other financial assets** | **15,746,210** | 13,350,100 | **15,746,210** | 13,350,100 |

### 21.1 Listed equity investments - Group/Company

| As at 31 March | No. of shares 2026 | No. of shares 2025 | Carrying value 2026 Rs. | Carrying value 2025 Rs. |
|---|---|---|---|---|
| **Quoted** | | | | |
| Asian Hotels and Properties PLC | **9,200** | 9,200 | **494,960** | 487,600 |
| Sampath Bank PLC | **105,000** | 105,000 | **15,251,250** | 12,862,500 |
| | **114,200** | 114,200 | **15,746,210** | 13,350,100 |

## 22 ADVANCES AND PREPAYMENTS

| As at 31 March | Group 2026 Rs. | Group 2025 Rs. | Company 2026 Rs. | Company 2025 Rs. |
|---|---|---|---|---|
| Advances | **112,450,551** | 16,607,172 | **2,451,731** | 1,504,442 |
| Prepayments | **3,441,052** | 10,908,839 | **3,441,052** | 3,880,965 |
| Deposits | **1,463,150** | 1,581,411 | **1,463,150** | 1,363,331 |
| | **117,354,753** | 29,097,422 | **7,355,933** | 6,748,738 |

## 23 CASH AND EQUIVALENTS

| | As at 31 March | Group 2026 Rs. | Group 2025 Rs. | Company 2026 Rs. | Company 2025 Rs. |
|---|---|---|---|---|---|
| 23.1 | **Favourable Cash Balances** | | | | |
| | Short term bank deposit | **-** | 31,365,397 | - | - |
| | Cash in hand | **31,843,974** | 29,276,642 | **6,904,451** | 5,054,734 |
| | Cash at bank | **25,718,514** | 104,750,785 | **8,529,146** | 100,478,370 |
| | | **57,562,488** | 165,392,824 | **15,433,597** | 105,533,104 |
| 23.2 | **Unfavourable Cash Balances** | | | | |
| | Bank overdraft (Note 27) | **(69,774,886)** | (221,142,296) | **(20,903,509)** | (81,890,785) |
| | Total Cash & Cash Equivalents For the Purpose of Cash Flow Statements | **(12,212,398)** | (55,749,472) | **(5,469,912)** | 23,642,319 |

## 24 STATED CAPITAL

| | 2026 Number | 2026 Rs. | 2025 Number | 2025 Rs. |
|---|---|---|---|---|
| At the beginning of the year | **542,663,531** | **5,526,201,686** | 284,898,354 | 4,624,023,566 |
| Shares issued - during the year | **-** | **-** | 257,765,177 | 902,178,120 |
| **At the end of the year** | **542,663,531** | **5,526,201,686** | 542,663,531 | 5,526,201,686 |

## 25 REVALUATION RESERVES

**Nature and purpose of the reserve**

Revaluation reserve is used to record increments and decrements on the revaluation of lands and buildings of the Group. In the event of a sale or disposal of an asset, any balance in the reserve in relation to the asset is transferred to retained earnings, see accounting policy note 2.3(i) for details.

| As at 31 March | Group 2026 Rs. | Group 2025 Rs. | Company 2026 Rs. | Company 2025 Rs. |
|---|---|---|---|---|
| Revaluation reserve at the beginning of the year | **2,270,084,996** | 2,208,273,420 | **665,056,417** | 646,902,677 |
| Surplus on revaluation of property plant and equipment, net of tax | **111,826,539** | 60,680,692 | **37,475,488** | 17,022,856 |
| Share of other comprehensive income attributable to associate, net of tax | **5,543,998** | 1,130,884 | **5,543,998** | 1,130,884 |
| **Revaluation reserve at the end of the year** | **2,387,455,533** | 2,270,084,996 | **708,075,903** | 665,056,417 |

## 26 MERGER RESERVE

| As at 31 March | Company 2026 Rs. | Company 2025 Rs. |
|---|---|---|
| Balance as at beginning of the year | **332,134,791** | 332,134,791 |
| Balance as at end of the year | **332,134,791** | 332,134,791 |

Merger Reserve was created as a result of the Citrus Group restructure Kalpitiya Beach Resort PLC (KBRL) and Passikudah Beach Resort Limited (PBRL) has been amalgamated with Hikkaduwa Beach resort PLC on 30th January 2018 and 2nd February 2018 respectively.

## 27 INTEREST BEARING LOANS AND BORROWINGS

| Other Financial Liabilities | Group 2026 Rs. | Group 2025 Rs. | Company 2026 Rs. | Company 2025 Rs. |
|---|---|---|---|---|
| **Current Interest -bearing loans and borrowings** | | | | |
| Bank Loans (Note 27.1 & 27.2) | **281,000,570** | 433,709,317 | **213,000,570** | 195,119,317 |
| Bank Overdrafts | **69,774,886** | 221,142,296 | **20,903,509** | 81,890,785 |
| | **350,775,456** | 654,851,613 | **233,904,079** | 277,010,102 |
| **Non-Current Interest -bearing loans and borrowings** | | | | |
| Bank Loans (Note 27.1 & 27.2) | **2,522,672,679** | 2,391,540,247 | **835,952,679** | 944,586,177 |
| | **2,522,672,679** | 2,391,540,247 | **835,952,679** | 944,586,177 |
| **Total Interest-bearing loans and borrowings** | **2,873,448,135** | 3,046,391,860 | **1,069,856,758** | 1,221,596,279 |

### 27.1 Bank Loans - Group

| | As at 01.04.2025 Rs. | Obtained during the year / restructured during the year Rs. | Repayments / settlements through restructuring Rs. | **As at 31.03.2026 Rs.** |
|---|---|---|---|---|
| Sampath Bank PLC | 2,089,776,720 | 601,610,000 | (472,336,720) | **2,219,050,000** |
| Pan Asia Banking Corporation PLC | 735,472,844 | - | (150,849,595) | **584,623,249** |
| | 2,825,249,564 | 601,610,000 | (623,186,315) | **2,803,673,249** |

| | **2026 Rs.** | 2025 Rs. |
|---|---|---|
| Current | **281,000,570** | 433,709,317 |
| Non-current | **2,522,672,679** | 2,391,540,247 |
| | **2,803,673,249** | 2,825,249,564 |

*During the year, facilities of Waskaduwa Beach Resort PLC, amounting to Rs. 335.11 mn were restructured under revised financing arrangements, with the proceeds applied directly towards the settlement of the existing facilities. Accordingly, the related movements are not reflected in the Statement of Cash Flows.

## 27 INTEREST BEARING LOANS AND BORROWINGS (Contd.)

### 27.2 Bank Loans - Company

| | As at 01.04.2025 Rs. | Obtained during the year Rs. | Repayments Rs. | **As at 31.03.2026 Rs.** |
|---|---|---|---|---|
| Sampath Bank PLC | 404,232,650 | 100,000,000 | (39,902,650) | **464,330,000** |
| Pan Asia Banking Corporation PLC | 735,472,844 | - | (150,849,595) | **584,623,249** |
| | 1,139,705,494 | 100,000,000 | (190,752,245) | **1,048,953,249** |

| | **2026 Rs.** | 2025 Rs. |
|---|---|---|
| Current | **213,000,570** | 195,119,317 |
| Non-current | **835,952,679** | 944,586,177 |
| | **1,048,953,249** | 1,139,705,494 |

## 27.3 Security and repayment terms

| Lender | Nature of facility | Interest Rate | Repayment terms | Details of collaterals | Carrying value of facility | | Carrying value of asset pledged | |
|---|---|---|---|---|---|---|---|---|
| | | | | | **2026 Rs.** | 2025 Rs. | **2026 Rs.** | 2025 Rs. |
| **Waskaduwa Beach Resort PLC** | | | | | | | | |
| Sampath Bank PLC | Permanent Overdraft | Annual effective rate of the Fixed Deposits + applicable margin percentage payable | On demand | Overdraft agreement for Rs. 20,500,000/- & Lien over funds lying to the credit of following fixed deposits in the name of the company and its successive renewal together with a company Letter of Set -off | - | 9,397,512 | - | 31,365,848 |
| Sampath Bank PLC | Permanent Overdraft | AWPLR+Margin p.a. payable monthly | On demand | "Overdraft agreement for Rs. 75,000,000/- primary mortgage bond for USD 8,120,000/- (Equivalent to Rs.1,258,600,000/- approx.) and additional mortgage bond for Rs.617,000,000/- and Rs.430,000,000/- over land and building of Hotel Citrus Waskaduwa." | - | 75,880,200 | - | 5,382,798,812 |
| Sampath Bank PLC | Term Loan Facility | AWPLR+Margin p.a. payable monthly | 96 Monthly Instalment | "Loan agreement for Rs. 844,400,000/- primary mortgage Bond for USD 8,120,000/- (Equivalent to Rs.1,258,600,000/- approx.) and additional mortgage bond for Rs.617,000,000/- and Rs.430,000,000/- over land and building of Hotel Citrus Waskaduwa." | 776,260,000 | 808,160,000 | 5,476,623,150 | 5,382,798,812 |
| Sampath Bank PLC | Moratorium Loan Facility | Fixed rate p.a. payable monthly | 60 Monthly Instalment | "Loan agreement for Rs. 519,649,104.85/- primary mortgage Bond for USD 8,120,000/- (Equivalent to Rs.1,258,600,000/- approx.) and additional mortgage bond for Rs.617,000,000/-and Rs.430,000,000/- over land and building of Hotel Citrus Waskaduwa." | - | 360,114,070 | - | 5,382,798,812 |
| Sampath Bank PLC | Term Loan Facility | AWPLR+Margin p.a. payable monthly | 96 Monthly Instalment | "Loan agreement for Rs. 540,500,000/- primary mortgage Bond for USD 8,120,000/- (Equivalent to Rs.1,258,600,000/- approx.) and additional mortgage bond for Rs.617,000,000/- and Rs.430,000,000/- over land and building of Hotel Citrus Waskaduwa." | 494,650,000 | 517,270,000 | 5,476,623,150 | 5,382,798,812 |
| Sampath Bank PLC | Moratorium Loan Facility | Fixed rate p.a. payable monthly | 40 Monthly Instalment | "Loan agreement for Rs. 338,110,000/- primary mortgage Bond for USD 8,120,000/- (Equivalent to Rs.1,258,600,000/- approx.) and additional mortgage bond for Rs.617,000,000/- and Rs.430,000,000/- over land and building of Hotel Citrus Waskaduwa." | 324,110,000 | - | 5,476,623,150 | - |

### 27.3 Security and repayment terms (Contd.)

| Lender | Nature of facility | Interest Rate | Repayment terms | Details of collaterals | Carrying value of facility 2026 Rs. | Carrying value of facility 2025 Rs. | Carrying value of asset pledged 2026 Rs. | Carrying value of asset pledged 2025 Rs. |
|---|---|---|---|---|---|---|---|---|
| Sampath Bank PLC | Term Loan Facility | AWPLR+Margin p.a. payable monthly | 94 Monthly Instalments | "Loan agreement for Rs. 100,000,000/- primary mortgage Bond for USD 8,120,000/- (Equivalent to Rs.1,258,600,000/- approx.) and additional mortgage bond for Rs.617,000,000/- and Rs.430,000,000/- over land and building of Hotel Citrus Waskaduwa." | 97,600,000 | - | 5,476,623,150 | - |
| Sampath Bank PLC | Term Loan Facility | AWPLR+Margin p.a. payable monthly | 96 Monthly Instalments | "Loan agreement for Rs. 63,500,000/- primary mortgage Bond for USD 8,120,000/- (Equivalent to Rs.1,258,600,000/- approx.) and additional mortgage bond for Rs.617,000,000/- and Rs.430,000,000/- over land and building of Hotel Citrus Waskaduwa." | 62,100,000 | - | 5,476,623,150 | - |
| Sampath Bank PLC | Permanent Overdraft | AWPLR+Margin p.a. payable monthly | On demand | "Overdraft agreement for Rs. 50,000,000/- primary mortgage bond for USD 8,120,000/- (Equivalent to Rs.1,258,600,000/- approx.) and additional mortgage bond for Rs.617,000,000/- and Rs.430,000,000/- over land and building of Hotel Citrus Waskaduwa." | 50,039,272 | - | 5,476,623,150 | - |
| Commercial Bank of Ceylon PLC | Permanent Overdraft | AWPLR+Margin p.a. payable monthly | On demand | Property called 'Sanathoduwa' situated in Kalpitiya, which is an amalgamation of the land owned by the Hikkaduwa Beach Resort PLC | - | 49,715,558 | - | 233,287,500 |

| Lender | Nature of facility Rs. | Nominal Interest rate | Repayment terms | Details of collaterals | Carrying value of facility 2026 Rs. | Carrying value of facility 2025 Rs. | Carrying value of asset pledged 2026 Rs. | Carrying value of asset pledged 2025 Rs. |
|---|---|---|---|---|---|---|---|---|
| **Hikkaduwa Beach Resort PLC** | | | | | | | | |
| Sampath Bank PLC | Term Loan Facility | AWPLR+Margin p.a. payable monthly | 95 Monthly Instalments | "Loan Agreement for Rs. 210,400,000/- Primary mortgage bond for Rs. 480,000,000/- and additional mortgage bond for Rs. 70,000,000/- over the Land and building of Hotel, Citrus – Hikkaduwa at Hikkaduwa." | **178,600,000** | 193,700,000 | **1,588,000,000** | 1,557,589,373 |
| Sampath Bank PLC | Term Loan Facility | AWPLR+Margin p.a. payable monthly | 95 Monthly Instalments | "Loan Agreement for Rs. 140,000,000/- Primary mortgage bond for Rs. 480,000,000/- and additional mortgage bond for Rs. 70,000,000/- over the Land and building of Hotel, Citrus – Hikkaduwa at Hikkaduwa." | **123,100,000** | 132,200,000 | **1,588,000,000** | 1,557,589,373 |

| Lender | Nature of facility Rs. | Nominal Interest rate | Repayment terms | Details of collaterals | Carrying value of facility | | Carrying value of asset pledged | |
|---|---|---|---|---|---|---|---|---|
| | | | | | **2026** **Rs.** | 2025 Rs. | **2026** **Rs.** | 2025 Rs. |
| Sampath Bank PLC | Term Loan Facility (Moratorium) | Fixed rate p.a. payable monthly | 35 Monthly Instalments | "Loan Agreement for Rs. 95,000,000/- Primary mortgage bond for Rs. 480,000,000/- and additional mortgage bond for Rs. 70,000,000/- over the Land and building of Hotel, Citrus – Hikkaduwa at Hikkaduwa." | **65,030,000** | 78,332,650 | **1,588,000,000** | 1,557,589,373 |
| Sampath Bank PLC | Term Loan Facility | AWPLR+Margin p.a. payable monthly | 94 Monthly Instalments | "Loan Agreement for Rs.100,000,000/- Primary mortgage bond for Rs. 480,000,000/- and additional mortgage bond for Rs. 70,000,000/- over the Land and building of Hotel, Citrus – Hikkaduwa at Hikkaduwa." | **97,600,000** | - | **1,588,000,000** | - |
| Sampath Bank PLC | Term Loan Facility | Permanent Overdraft | On demand | "Overdraft Agreement for Rs. 25,000,000/- Primary mortgage bond for Rs. 480,000,000/- and additional mortgage bond for Rs. 70,000,000/- over the Land and building of Hotel, Citrus – Hikkaduwa at Hikkaduwa." | **20,903,508** | - | **1,588,000,000** | - |
| Pan Asia Banking Corporation PLC | Term Loan Facility | AWPLR+Margin p.a. payable monthly | 60 Monthly Instalments | Quoted Equity Shares of 40,338,600 invested in Colombo Land and Development Company PLC & 9,200 Shares invested in Asian Hotel Properties PLC by Hikkaduwa Beach Resort PLC | **494,622,265** | 620,559,694 | **-** | 904,072,240 |
| Pan Asia Banking Corporation PLC | Term Loan Facility | Fixed rate p.a. payable monthly | 60 Monthly Instalments | Quoted Equity Shares of 40,338,600 invested in Colombo Land and Development Company PLC & 9,200 Shares invested in Asian Hotel Properties PLC by Hikkaduwa Beach Resort PLC | **90,000,984** | 114,913,150 | **-** | 904,072,240 |
| Nations Trust Bank PLC | Permanent Overdraft | AWPLR+Margin p.a. payable monthly | On demand | Overdraft Agreement for Rs. 25,000,000/-, Assignment over AMEX Receivables from the Company, Letter of Comfort from Citrus Leisure PLC | **-** | 21,328,532 | **-** | - |

## 28 RETIREMENT BENEFIT OBLIGATION

| As at 31 March | Group 2026 Rs. | Group 2025 Rs. | Company 2026 Rs. | Company 2025 Rs. |
|---|---|---|---|---|
| Balance as at beginning of the year | **33,797,247** | 30,597,868 | **23,103,497** | 20,375,080 |
| Current service cost | **4,420,126** | 3,797,156 | **2,031,975** | 1,820,206 |
| Interest cost | **3,379,725** | 3,671,745 | **2,310,350** | 2,445,010 |
| Actuarial (gain)/loss arising from changes in assumptions | **1,284,170** | 790,397 | **908,320** | 1,490,710 |
| Payments made during the year | **(2,768,610)** | (5,059,919) | **(1,726,542)** | (3,027,509) |
| Balance as at end of the year | **40,112,658** | 33,797,247 | **26,627,600** | 23,103,497 |

**28.1** Following amounts are recognised in profit or loss and other comprehensive income during the year in respect of the retirement benefit obligation (RBO).

| As at 31 March | Group 2026 Rs. | Group 2025 Rs. | Company 2026 Rs. | Company 2025 Rs. |
|---|---|---|---|---|
| **Expense recognised in profit or loss** | | | | |
| Current service cost | **4,420,126** | 3,797,156 | **2,031,975** | 1,820,206 |
| Interest cost | **3,379,725** | 3,671,745 | **2,310,350** | 2,445,010 |
| | **7,799,851** | 7,468,901 | **4,342,325** | 4,265,216 |
| | | | | |
| **Actuarial (gains) and losses recognised directly in OCI** | **1,284,170** | 790,397 | **908,320** | 1,490,710 |
| Recognised during the period | **1,284,170** | 790,397 | **908,320** | 1,490,710 |

Messrs. Actuarial and Management Consultants (Pvt) Ltd Actuaries, carried out an actuarial valuation of the defined benefit plan gratuity on 31 March 2026. Appropriate and compatible assumptions were used in determining the cost of retirement benefits. The liability is not externally funded.

The Projected Unit Credit Method is used to determine the present value of the defined benefit obligation and the current service cost.

**28.2 Assumptions used**

The principal assumptions used were as follows,

| As at 31 March | Group 2026 Rs. | Group 2025 Rs. | Company 2026 Rs. | Company 2025 Rs. |
|---|---|---|---|---|
| Discount rate | **9%** | 10% | **9%** | 10% |
| Future salary increment rate | **10%** | 10% | **10%** | 10% |
| Staff turnover rates | **31% - 32%** | 33%-31% | **31%** | 33% |
| Retirement age (years) | **60Y** | 60Y | **60Y** | 60 Years |

## 28 RETIREMENT BENEFIT OBLIGATION (Contd.)

### 28.3 Sensitivity of the principal assumptions used

Values appearing in the financial statements are very sensitive to the changes in financial and non financial assumptions used.

A Sensitivity analysis was carried out as follows,

| As at 31 March | Group 2026 Rs. | Group 2025 Rs. | Company 2026 Rs. | Company 2025 Rs. |
|---|---|---|---|---|
| **Discount Rate** | | | | |
| Effect on RBO due to decrease in the discount rate by 1% | **1,732,903** | 1,014,421 | **797,608** | 679,184 |
| Effect on RBO due to increase in the discount rate by 1% | **(682,288)** | (956,909) | **(752,877)** | (642,202) |
| | | | | |
| **Salary Escalation** | | | | |
| Effect on RBO due to decrease in salary escalation rate by 1% | **(855,350)** | (1,113,573) | **(863,140)** | (748,331) |
| Effect on RBO due to increase in salary escalation rate by 1% | **1,892,741** | 1,161,162 | **899,207** | 778,522 |

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the statement of financial position.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

### 28.4 Maturity analysis of the payments

| As at 31 March | Group 2026 Rs. | Group 2025 Rs. | Company 2026 Rs. | Company 2025 Rs. |
|---|---|---|---|---|
| Less than or equal 1 year | **9,184,449** | 8,245,115 | **6,527,537** | 5,618,122 |
| Over 1 year and less than or equal 2 years | **12,124,065** | 11,251,856 | **7,633,302** | 7,828,675 |
| Over 2 years and less than or equal 5 years | **14,002,214** | 10,941,655 | **9,863,106** | 7,885,305 |
| Over 5 years and less than or equal 10 years | **4,036,240** | 2,865,986 | **2,161,446** | 1,555,402 |
| Over 10 years | **765,690** | 492,635 | **442,209** | 215,993 |
| Total expected payments | **40,112,658** | 33,797,247 | **26,627,600** | 23,103,497 |

**28.5** The Group weighted average duration of the defined benefit plan obligation at the end of the reporting period is 03 years (2025 - 03 years).

**29 DEFERRED TAX LIABILITIES**

| | Group | | Company | |
|---|---|---|---|---|
| | **2026** | 2025 Restated | **2026** | 2025 Restated |
| | **Rs.** | Rs. | **Rs.** | Rs. |
| **29.1 Net deferred tax liabilities** | | | | |
| At the beginning of the year | **1,291,453,959** | 1,260,896,202 | **388,902,055** | 391,468,215 |
| Amount origination/ (reversal) of temporary differences | **-** | - | **-** | - |
| **- Recognised in profit or loss** | | | | |
| Accelerated depreciation for tax purposes | **(2,255,107)** | (7,672,626) | **(2,283,361)** | (7,502,343) |
| Retirement benefit obligation | **(1,509,374)** | (722,695) | **(784,735)** | (371,311) |
| Carried forward business losses | **(133,719,829)** | - | **(133,719,829)** | - |
| Revaluation of investment property to fair value | **-** | - | **-** | - |
| Impairment of trade debtors | **54,941** | (1,540,804) | **54,941** | (1,540,804) |
| **- Recognised in other comprehensive income** | | | | |
| Revaluation of land and buildings | **78,479,604** | 40,731,002 | **16,060,924** | 7,295,511 |
| Actuarial gains and losses on defined benefit plans | **(385,251)** | (237,119) | **(272,496)** | (447,213) |
| **At the end of the year** | **1,232,118,943** | 1,291,453,959 | **267,957,499** | 388,902,055 |

29.2 Net deferred tax asset/liability on each temporary difference which were recognised in the financial statements are disclosed below.

| | Group | | Company | |
|---|---|---|---|---|
| As at 31 March | **2026** | 2025 Restated | **2026** | 2025 Restated |
| | **Rs.** | Rs. | **Rs.** | Rs. |
| **Deferred tax liability** | | | | |
| Capital allowances for tax purpose | **112,025,343** | 114,280,450 | **110,631,462** | 112,914,823 |
| Deferred tax effect on revaluation of land and buildings | **1,244,752,574** | 1,166,272,971 | **277,939,493** | 261,878,570 |
| Deferred tax effect on Investment property | **24,082,710** | 24,082,710 | **24,082,710** | 24,082,710 |
| | | | | |
| **Deferred tax assets** | | | | |
| Carried forward business losses | **(133,719,829)** | - | **(133,719,829)** | - |
| Retirement benefit obligation | **(12,033,798)** | (10,139,174) | **(7,988,280)** | (6,931,049) |
| Impairment of trade debtors | **(2,988,058)** | (3,042,998) | **(2,988,058)** | (3,042,998) |
| | **1,232,118,943** | 1,291,453,959 | **267,957,499** | 388,902,055 |

29.3 The Group recognises a deferred tax asset on unused tax losses which is expected to reduce the future tax expense based on the Group's forecasted business plans. However, Deferred tax Assets have not been recognised for unused tax losses amounting to Rs. 591,575,415/- by the Group for 31 March 2026 (Rs. 1,046,962,159 - 2025).

## 30 TRADE AND OTHER PAYABLES

| As at 31 March | Group 2026 Rs. | Group 2025 Rs. | Company 2026 Rs. | Company 2025 Rs. |
|---|---|---|---|---|
| Trade payables - Others | **97,470,303** | 93,445,156 | **3,782,635** | 12,908,395 |
| - Related Parties (Note 30.1) | **3,922,999** | 4,884,169 | **755,869** | 915,144 |
| Other Payables - Others | **25,536,047** | 26,861,206 | **-** | - |
| - Related parties (Note 30.2) | **239,159,207** | 127,758,404 | **219,709,206** | 50,460,865 |
| Notes payable | **201,339,924** | 138,234,958 | **50,320,388** | |
| Sundry creditors including accrued expenses | **168,761,081** | 112,427,080 | **68,510,738** | 63,992,932 |
| **Current trade and other payables** | **736,189,560** | 503,610,973 | **343,078,836** | 128,277,336 |
| | | | | |
| **Non-current other payables - related parties** | **115,930,109** | 325,430,109 | **115,930,109** | 325,430,109 |

For terms and conditions of related party transactions refer Note 35.1
For explanations on the Group's liquidity risk management processes, refer Note 36.4

### 30.1 Trade payable - Related parties

| As at 31 March | Relationship | Group 2026 Rs. | Group 2025 Rs. | Company 2026 Rs. | Company 2025 Rs. |
|---|---|---|---|---|---|
| George Steuart Consumer (Pvt) Ltd | Affiliate Company | **1,757,162** | 2,688,636 | **409,597** | 539,175 |
| Divasa Equity (Pvt) Ltd | Affiliate Company | **264,935** | 264,935 | **-** | - |
| Triad (Pvt) Ltd | Affiliate Company | **658,443** | 658,443 | **-** | - |
| Printage (Pvt) Ltd | Affiliate Company | **492,485** | 522,182 | **346,272** | 375,969 |
| Adpack Productions (Pvt) Ltd | Affiliate Company | **393,200** | 244,000 | **-** | - |
| Hammer BTL (Pvt) Ltd | Affiliate Company | **14,662** | 14,662 | **-** | - |
| George Steuart Teas (Pvt)Ltd | Affiliate Company | **98,112** | 98,112 | **-** | - |
| George Steuart Travel Ltd. | Affiliate Company | **244,000** | 393,199 | **-** | - |
| | | **3,922,999** | 4,884,169 | **755,869** | 915,144 |

### 30.2 Other payables to related parties - Group

| | Relationship | 2026 Total Rs. | 2026 Non current Rs. | 2026 Current Rs. | 2025 Total Rs. | 2025 Non current Rs. | 2025 Current Rs. |
|---|---|---|---|---|---|---|---|
| Citrus Leisure PLC | Parent Company | **355,089,316** | **115,930,109** | **239,159,207** | 453,188,513 | 325,430,109 | 127,758,404 |
| | | **355,089,316** | **115,930,109** | **239,159,207** | 453,188,513 | 325,430,109 | 127,758,404 |

# Notes to the Financial Statements

## 30 TRADE AND OTHER PAYABLES (Contd.)

### 30.3 Other payables to related parties - Company

| | Relationship | 2026 | | | 2025 | | |
|---|---|---|---|---|---|---|---|
| | | **Total** | **Non current** | **Current** | Total | Non current | Current |
| | | **Rs.** | **Rs.** | **Rs.** | Rs. | Rs. | Rs. |
| Citrus Leisure PLC | Parent Company | **335,639,315** | **115,930,109** | **219,709,206** | 375,890,974 | 325,430,109 | 50,460,865 |
| | | **335,639,315** | **115,930,109** | **219,709,206** | 375,890,974 | 325,430,109 | 50,460,865 |

| As at 31 March | 2026 | 2025 |
|---|---|---|
| | **Rs.** | Rs. |
| Balance as at beginning of the year | **375,890,975** | 738,876,182 |
| Obtained during the period | **172,041,130** | 619,114,912 |
| Interest accrues during the period | **24,354,753** | 41,560,715 |
| Repayments during the period | **(236,647,543)** | (1,023,660,834) |
| Balance as at end of the year | **335,639,315** | 375,890,975 |

## 31 CONTRACT LIABILITIES

| | Group | | Company | |
|---|---|---|---|---|
| As at 31 March | **2026** | 2025 | **2026** | 2025 |
| | **Rs.** | Rs. | **Rs.** | Rs. |
| Advance received for future room reservations | **17,454,911** | 79,123,327 | **16,856,120** | 76,848,141 |
| Advance received for future banquet reservations | **3,406,145** | 3,003,944 | **50,000** | - |
| | **20,861,056** | 82,127,271 | **16,906,120** | 76,848,141 |

These amounts will be settled for revenue within next 12 months.

| | Group | | Company | |
|---|---|---|---|---|
| As at 31 March | **2026** | 2025 | **2026** | 2025 |
| | **Rs.** | Rs. | **Rs.** | Rs. |
| **31.1 Contract liabilities** | | | | |
| Balance as at beginning of the year | **82,127,271** | 18,791,841 | **76,848,141** | 2,677,001 |
| Revenue recognised in the reporting period that was included in the contract liability balance | **(841,450,287)** | (1,016,832,007) | **(469,550,295)** | (368,288,207) |
| Advances received from customers during the reporting period | **800,635,211** | 1,083,154,492 | **410,476,234** | 443,047,047 |
| Refunds made during the year | **(20,451,139)** | (2,987,055) | **(867,960)** | (587,700) |
| Balance as at end of the year | **20,861,056** | 82,127,271 | **16,906,120** | 76,848,141 |

## 32 RESTATEMENT OF FINANCIAL STATEMENTS

### Deferred Tax Adjustment

As at 31 Mar 2026, a computational error was identified in the calculation of the deferred tax liability. The adjustment has been corrected retrospectively for the financial years 2024 and 2025 in accordance with LKAS 08 – Accounting Policies, Changes in Accounting Estimates and Errors.

### 32.1. Impacted on Financial Statements

#### 32.1.1. Impact on lines of Statement of Profit or Loss for year ended 31 March 2025

| | Group | | | Company | | |
|---|---|---|---|---|---|---|
| | **Previously Reported 2025** | **Correction** | **Restated 2025** | Previously Reported 2025 | Correction | Restated 2025 |
| Tax (expense) / reversal | (34,234,747) | 44,170,872 | 9,936,125 | (34,756,413) | 44,170,872 | 9,414,459 |
| | | | | | | |
| **Profit / (Loss) for the year** | (186,915,565) | 44,170,872 | (142,744,693) | (17,735,266) | 44,170,872 | 26,435,606 |
| | | | | | | |
| **Loss attributable to:** | | | | | | |
| Equity holders of the parent | (163,704,249) | 44,170,872 | (119,533,377) | (17,735,266) | 44,170,872 | 26,435,606 |
| Non-controlling interests | (23,211,316) | - | (23,211,316) | - | - | - |
| | (186,915,565) | 44,170,872 | (142,744,693) | (17,735,266) | 44,170,872 | 26,435,606 |
| | | | | | | |
| Basic/Diluted loss per share | (0.31) | 0.08 | (0.23) | (0.03) | 0.08 | 0.05 |

#### 32.1.2. Impact on lines of Statement of Comprehensive Income for year ended 31 March 2025

| | Group | | | Company | | |
|---|---|---|---|---|---|---|
| | **Previously Reported 2025** | **Correction** | **Restated 2025** | Previously Reported 2025 | Correction | Restated 2025 |
| **Profit / (Loss) for the year** | (186,915,565) | 44,170,872 | (142,744,693) | (17,735,266) | 44,170,872 | 26,435,606 |
| | | | | | | |
| **Other comprehensive income for the year, net of tax** | 95,616,609 | - | 95,616,609 | 17,110,243 | - | 17,110,243 |
| **Total comprehensive income/ (loss) for the year, net of tax** | (91,298,956) | 44,170,872 | (47,128,084) | (625,023) | 44,170,872 | 43,545,849 |
| | | | | | | |
| **Total comprehensive income/ (loss) attributable to:** | | | | | | |
| Equity holders of the parent | (102,661,843) | 44,170,872 | (58,490,971) | (625,023) | 44,170,872 | 43,545,849 |
| Non-controlling interests | 11,362,887 | - | 11,362,887 | - | | - |
| | (91,298,956) | 44,170,872 | (47,128,084) | (625,023) | 44,170,872 | 43,545,849 |

### 32.1.3. Impact on lines of Statement of Profit or Loss for year ended 31 March 2024

| | Group | | | Company | | |
|---|---|---|---|---|---|---|
| | **Previously Reported 2024** | **Correction** | **Restated 2024** | Previously Reported 2024 | Correction | Restated 2024 |
| Tax (expense) / reversal | **(112,961,610)** | **114,928,341** | **1,966,731** | (112,067,055) | 114,928,341 | 2,861,286 |
| **Profit / (Loss) for the year** | (662,749,306) | 114,928,341 | (547,820,965) | (259,980,257) | 114,928,341 | (145,051,916) |
| **Loss attributable to:** | | | | | | |
| Equity holders of the parent | (592,663,939) | 114,928,341 | (477,735,598) | (259,980,257) | 114,928,341 | (145,051,916) |
| Non-controlling interests | (70,085,367) | - | (70,085,367) | - | - | - |
| | (662,749,306) | 114,928,341 | (547,820,965) | (259,980,257) | 114,928,341 | (145,051,916) |
| Basic/Diluted loss per share | (1.80) | 0.35 | (1.45) | (0.79) | 0.35 | (0.44) |

### 32.1.4. Impact on lines of Statement of Comprehensive Income for year ended 31 March 2024

| | Group | | | Company | | |
|---|---|---|---|---|---|---|
| | **Previously Reported 2024** | **Correction** | **Restated 2024** | Previously Reported 2024 | Correction | Restated 2024 |
| **Profit / (Loss) for the year** | (662,749,306) | 114,928,341 | (547,820,965) | (259,980,257) | 114,928,341 | (145,051,916) |
| **Other comprehensive income for the year, net of tax** | 281,209,713 | - | 281,209,713 | 145,456,651 | - | 145,456,651 |
| **Total comprehensive income/ (loss) for the year, net of tax** | (381,539,593) | 114,928,341 | (266,611,252) | (114,523,606) | 114,928,341 | 404,735 |
| **Total comprehensive income/ (loss) attributable to:** | | | | | | |
| Equity holders of the parent | (334,765,366) | 114,928,341 | (219,837,025) | (114,523,606) | 114,928,341 | 404,735 |
| Non-controlling interests | (46,774,227) | - | (46,774,227) | - | | - |
| | (381,539,593) | 114,928,341 | (266,611,252) | (114,523,605) | 114,928,340 | 404,735 |

### 32.1.5. Impact on lines of Statement of Financial Position as of 31 March 2025

| | Group | | | Company | | |
|---|---|---|---|---|---|---|
| | **Previously Reported 2025** | **Correction** | **Restated 2025** | Previously Reported 2025 | Correction | Restated 2025 |
| EQUITY AND LIABILITIES | | | | | | |
| Capital and reserves | | | | | | |
| Retained earnings / (Accumulated Losses) | (3,747,876,337) | 159,099,213 | (3,588,777,124) | (1,459,243,664) | 159,099,213 | (1,300,144,451) |
| **Equity attributable to owners of the company** | 4,380,545,136 | 159,099,213 | 4,539,644,349 | 5,064,149,230 | 159,099,213 | 5,223,248,443 |
| Non-controlling interests | 942,342,235 | - | 942,342,235 | - | - | - |
| **Total equity** | 5,322,887,371 | 159,099,213 | 5,481,986,584 | 5,064,149,230 | 159,099,213 | 5,223,248,443 |
| | | | | | | |
| Non-current liabilities | | | | | | |
| Deferred tax liability (Note 32.1.7) | 1,450,553,172 | (159,099,213) | 1,291,453,959 | 548,001,268 | (159,099,213) | 388,902,055 |
| | 4,201,320,775 | (159,099,213) | 4,042,221,562 | 1,841,121,051 | (159,099,213) | 1,682,021,838 |
| | | | | | | |
| Total equity and liabilities | 10,764,798,003 | - | 10,764,798,003 | 7,387,405,860 | - | 7,387,405,860 |

### 32.1.6. Impact on lines of Statement of Financial Position as of 31 March 2024

| | Group | | | Company | | |
|---|---|---|---|---|---|---|
| | **Previously Reported 2024** | **Correction** | **Restated 2024** | Previously Reported 2024 | Correction | Restated 2024 |
| EQUITY AND LIABILITIES | | | | | | |
| Capital and reserves | | | | | | |
| Retained earnings / (Accumulated Losses) | (3,536,381,151) | 114,928,341 | (3,421,452,810) | (1,440,464,902) | 114,928,341 | (1,325,536,561) |
| **Equity attributable to owners of the company** | 3,628,050,626 | 114,928,341 | 3,742,978,967 | 4,162,596,132 | 114,928,341 | 4,277,524,473 |
| Non-controlling interests | 266,490,557 | - | 266,490,557 | - | - | - |
| **Total equity** | 3,894,541,183 | 114,928,341 | 4,009,469,524 | 4,162,596,132 | 114,928,341 | 4,277,524,473 |
| | | | | | | |
| Non-current liabilities | | | | | | |
| Deferred tax liability (Note 32.1.8) | 1,375,824,543 | (114,928,341) | 1,260,896,202 | 506,396,556 | (114,928,341) | 391,468,215 |
| | 4,571,047,360 | (114,928,341) | 4,456,119,019 | 1,674,102,012 | (114,928,341) | 1,559,173,671 |
| | | | | | | |
| Total equity and liabilities | 10,603,682,559 | - | 10,603,682,559 | 7,166,193,810 | - | 7,166,193,810 |

### 32.1.7. Deferred Tax Liabilities for year ended 31 March 2025

| | Group | | | Company | | |
|---|---|---|---|---|---|---|
| | Previously Reported 2025 | Correction | Restated 2025 | Previously Reported 2025 | Correction | Restated 2025 |
| **Net deferred tax liabilities** | | | | | | |
| | | | | | | |
| At the beginning of the year | 1,375,824,543 | (114,928,341) | 1,260,896,202 | 506,396,556 | (114,928,341) | 391,468,215 |
| **Recognised in profit or loss** | | | | | | |
| Accelerated depreciation for tax purposes | 37,392,703 | (45,065,329) | (7,672,626) | 37,562,986 | (45,065,329) | (7,502,343) |
| Retirement benefit obligation | (1,617,122) | 894,427 | (722,695) | (1,265,738) | 894,427 | (371,311) |
| Impairment of trade debtors | (1,540,834) | 30 | (1,540,804) | (1,540,834) | 30 | (1,540,804) |
| **Recognised in other comprehensive income** | | | | | | |
| Revaluation of land and buildings | 40,731,002 | - | 40,731,002 | 7,295,511 | - | 7,295,511 |
| Actuarial gains and losses on defined benefit plans | (237,119) | - | (237,119) | (447,213) | - | (447,213) |
| At the end of the year | 1,450,553,173 | (159,099,213) | 1,291,453,959 | 548,001,268 | (159,099,213) | 388,902,055 |

### 32.1.8. Deferred Tax Liabilities for year ended 31 March 2024

| | Group | | | Company | | |
|---|---|---|---|---|---|---|
| | Previously Reported 2024 | Correction | Restated 2024 | Previously Reported 2024 | Correction | Restated 2024 |
| **Net deferred tax liabilities** | | | | | | |
| | | | | | | |
| At the beginning of the year | 655,455,311 | - | 655,455,311 | 332,134,584 | - | 332,134,584 |
| **Recognised in profit or loss** | | | | | | |
| Accelerated depreciation for tax purposes | 113,857,181 | (114,928,341) | (1,071,160) | 112,858,307 | (114,928,341) | (2,070,034) |
| Retirement benefit obligation | (820,571) | - | (820,571) | (716,253) | - | (716,253) |
| Impairment of trade debtors | (75,000) | - | (75,000) | (75,000) | - | (75,000) |
| **Recognised in other comprehensive income** | | | | | | |
| Revaluation of land and buildings | 607,529,125 | - | 607,529,125 | 61,959,830 | - | 61,959,830 |
| Actuarial gains and losses on defined benefit plans | (121,503) | - | (121,503) | 235,088 | - | 235,088 |
| At the end of the year | 1,375,824,543 | (114,928,341) | 1,260,896,202 | 506,396,556 | (114,928,341) | 391,468,215 |

## 33 EVENTS OCCURRING AFTER THE REPORTING PERIOD

There have been no material events occurring after the reporting date that require adjustments to or disclosure in the financial statements.

## 34 COMMITMENTS AND CONTINGENCIES

### 34.1 Capital Commitments

The Company and Group do not have significant capital commitments as at the reporting date

### 34.2 Contingent Liabilities

There were no contingent liabilities as at the reporting date.

## 35 RELATED PARTY DISCLOSURES

Refer Note 2.2.1 and 2.2.2 for effective equity holding percentages and other key information of Group entities.

### 35.1 Terms and conditions of transactions with related parties

The Group and Company carried out transactions in the ordinary course of the business on an arm's length basis at commercial rates with parties who are defined as Related Parties as per the Sri Lanka Accounting Standard - LKAS 24 'Related Party Disclosures'.

Outstanding balances at the year-end are unsecured and interest is charged at AWPLR [six (06) months] for related party balances. For the year ended 31 March 2026, the group has not recorded any impairment of receivables relating to amounts owed by related parties.

Disclosure as per the requirement of the Colombo Stock Exchange Listing Rule Section 9.14.8 (2) is on page 54 - Annual Report of the Board of Directors on the Affairs of the Company.

### 35.2 Transaction with the parent and related entities - Group

Details of significant related party disclosures are as follows:

| | Parent Company | | Affiliate Companies* | | Total | |
|---|---|---|---|---|---|---|
| Nature of Transaction | **2026** | 2025 | **2026** | 2025 | **2026** | 2025 |
| | **Rs.** | Rs. | **Rs.** | Rs. | **Rs.** | Rs. |
| **Balance as at 1 April** | **(453,188,513)** | (763,341,716) | **7,368,330** | 5,896,734 | **(445,820,183)** | (757,444,982) |
| | | | | | | |
| **Fund Transfer to / Settlements made** | **356,299,081** | 917,778,378 | **-** | - | **356,299,081** | 917,778,378 |
| Collection made by the company on behalf of others | **(423,907)** | - | **-** | 7,844 | **(423,907)** | 7,844 |
| Collection made by the other companies on behalf of the company | **-** | 524,378 | **-** | 25,000 | **-** | 549,378 |
| Expense incurred on behalf the related parties | **356,389** | 942,329 | **1,924,418** | 169,287 | **2,280,807** | 1,111,616 |
| Expense incurred on behalf of the company | **(14,844,085)** | (28,252,181) | **(1,341,857)** | (578,432) | **(16,185,942)** | (28,830,613) |
| Funds received from / Settlements received | **(116,972,161)** | (454,160,707) | **(2,487,500)** | (1,651,942) | **(119,459,661)** | (455,812,649) |
| Inter-company Interest Expense | **(24,424,929)** | (41,753,800) | **-** | - | **(24,424,929)** | (41,753,800) |
| Management Fee | **(98,064,830)** | (100,422,251) | **-** | - | **(98,064,830)** | (100,422,251) |
| Interest and other settlements made | **9,620,318** | 15,497,057 | **531,933** | 27,614,123 | **10,152,251** | 43,111,180 |
| Mortgage Fee Expense | **-** | - | **1,700,000** | 1,700,000 | **1,700,000** | 1,700,000 |
| Trading nature transactions (Sales) | **-** | - | **1,200,475** | 11,753,444 | **1,200,475** | 11,753,444 |
| Settlements for trading nature Transactions (sales receipts) | **-** | - | **(586,075)** | (8,621,962) | **(586,075)** | (8,621,962) |
| Purchase of Goods/ Services | **(13,200,702)** | - | **(148,896,843)** | (40,154,277) | **(162,097,545)** | (40,154,277) |
| Settlements made for trading nature Transactions (payments) | **-** | - | **147,334,885** | 11,208,511 | **147,334,885** | 11,208,511 |
| WHT Deduction on Interest Expense | **-** | - | **-** | - | **-** | - |
| Fixed asset transfer | **-** | - | **-** | - | **-** | - |
| Total | **(355,089,316)** | (453,188,513) | **6,747,766** | 7,368,330 | **(348,341,551)** | (445,820,183) |

## 35 RELATED PARTY DISCLOSURES (CONTD.)

### 35.2 Transaction with the parent and related entities - Group (Contd.)

| Nature of Transaction | Parent Company 2026 Rs. | Parent Company 2025 Rs. | Affiliate Companies* 2026 Rs. | Affiliate Companies* 2025 Rs. | Total 2026 Rs. | Total 2025 Rs. |
|---|---|---|---|---|---|---|
| **Included under** | | | | | | |
| Trade and other receivables - current (Note 19) | **-** | - | **10,670,765** | 12,252,499 | **10,670,765** | 12,252,499 |
| Trade and other payables - current (Note 30) | **(239,159,207)** | (127,758,404) | **(3,922,999)** | (4,884,169) | **(243,082,206)** | (132,642,574) |
| Trade and other payables - non current (Note 30) | **(115,930,109)** | (325,430,109) | **-** | - | **(115,930,109)** | (325,430,109) |
| | **(355,089,316)** | (453,188,513) | **6,747,766** | 7,368,330 | **(348,341,550)** | (445,820,184) |

*Affiliate companies represents and entities controlling by directors. Affiliate companies includes: George Steuart Health (Pvt) Ltd, George Steuart Teas (Pvt) Ltd,
George Steuart Solutions (Pvt) Ltd, George Steuart Travels (Pvt) Ltd, Triad (Pvt) Ltd, Emagewise (Pvt) Ltd, Power House Limited, Divasa Equity (Pvt) Ltd, Adpack Productions (Pvt) Ltd, George Steuart Consumer (Pvt) Ltd, Citrus Silver Limited, Printage (Pvt) Ltd, Liberty Publishers (Pvt) Ltd and Hammer BTL (Pvt) Ltd.

### 35.3 Transaction with the parent and related entities - Company

Details of significant related party disclosures are as follows:

| Nature of Transaction | Parent Company 2026 Rs. | Parent Company 2025 Rs. | Subsidiary Company 2026 Rs. | Subsidiary Company 2025 Rs. | Affiliate Companies* 2026 Rs. | Affiliate Companies* 2025 Rs. | Total 2026 Rs. | Total 2025 Rs. |
|---|---|---|---|---|---|---|---|---|
| **Balance as at 1 April** | **(375,890,974)** | (738,876,181) | **422,809,072** | 495,039,966 | **(731,018)** | 258,394 | **46,187,080** | 7,005,605 |
| | | | | | | | | |
| **Recurrent transactions** | | | | | | | | |
| Fund Transfer to | **226,600,000** | 832,278,378 | **80,000,000** | - | **-** | - | **306,600,000** | 832,278,378 |
| Collection made by the Company on behalf of others | **(423,907)** | - | **(1,597,834)** | (2,716,031) | **-** | - | **(2,021,741)** | (2,716,031) |
| Collection made by the other companies on behalf of the company | **-** | 524,378 | **2,471,850** | - | **-** | - | **2,471,850** | 524,378 |
| Expense incurred on behalf of other companies | **47,542** | - | **2,430,275** | 540,418 | **26,500** | - | **2,504,317** | 540,418 |
| Expense incurred on behalf of the company | **(14,846,585)** | (10,383,807) | **(165,746)** | (323,783) | **-** | (48,057) | **(15,012,331)** | (10,755,647) |
| Funds received from/ settlements received | **(117,000,000)** | (399,115,707) | **(60,000,000)** | (102,912,195) | **-** | (1,651,942) | **(177,000,000)** | (503,679,844) |
| Inter-company Interest Expense | **(24,354,753)** | (41,560,715) | **-** | - | **-** | - | **(24,354,753)** | (41,560,715) |
| Inter-company Interest Income | **-** | - | **35,660,590** | 32,680,697 | **-** | - | **35,660,590** | 32,680,697 |
| Management Fee | **(39,770,638)** | (33,907,320) | **-** | - | **-** | - | **(39,770,638)** | (33,907,320) |
| Interest and other settlements made | **10,000,000** | 15,150,000 | **-** | - | **-** | - | **10,000,000** | 15,150,000 |
| Mortgage Fee Income | **-** | - | **250,685** | 500,000 | **1,700,000** | 1,700,000 | **1,950,685** | 2,200,000 |
| Trading nature transactions (Sales) | **-** | - | **-** | - | **1,200,475** | - | **1,200,475** | - |
| Settlements for trading nature Transactions (sales receipts) | **-** | - | **-** | - | **(586,075)** | (1,221,975) | **(586,075)** | (1,221,975) |
| Settlements made for trading nature Transactions (payments) | **-** | - | **-** | - | **12,056,356** | 11,208,511 | **12,056,356** | 11,208,511 |
| Purchase of goods/ services | **-** | - | **-** | - | **(11,897,082)** | (10,975,950) | **(11,897,082)** | (10,975,950) |
| WHT Deduction on Interest Income | **-** | - | **-** | - | **-** | - | **-** | - |
| WHT Deduction on Interest Expense | **-** | - | **-** | - | **-** | - | **-** | - |
| | | | | | | | | |
| Total | **(335,639,315)** | (375,890,974) | **481,858,892** | 422,809,072 | **1,769,156** | (731,019) | **147,988,733** | 46,187,079 |
| | | | | | | | | |
| Included under | | | | | | | | |

| Nature of Transaction | Parent Company | | Subsidiary Company | | Affiliate Companies* | | Total | |
|---|---|---|---|---|---|---|---|---|
| | **2026** | 2025 | **2026** | 2025 | **2026** | 2025 | **2026** | 2025 |
| | **Rs.** | Rs. | **Rs.** | Rs. | **Rs.** | Rs. | **Rs.** | Rs. |
| Trade and other receivables - current (Note 19) | **-** | - | **70,671,909** | 43,622,089 | **2,525,025** | 184,125 | **73,196,934** | 43,806,214 |
| Trade and other receivables - non current (Note 19) | **-** | - | **411,186,983** | 379,186,983 | **-** | - | **411,186,983** | 379,186,983 |
| Trade and other payables - current (Note 30) | **(219,709,206)** | (50,460,865) | **-** | - | **(755,869)** | (915,144) | **(220,465,075)** | (51,376,009) |
| Trade and other payables - non current (Note 30) | **(115,930,109)** | (325,430,109) | **-** | - | **-** | - | **(115,930,109)** | (325,430,109) |
| | **(335,639,315)** | (375,890,974) | **481,858,892** | 422,809,072 | **1,769,156** | (731,019) | **147,988,733** | 46,187,079 |

*Affiliate companies represents entities controlled by directors. Affiliate companies includes: Citrus Silver Limited, Triad (Pvt) Ltd, George Steuart Teas (Pvt) Ltd, George Steuart Consumer (Pvt) Ltd, George Steuart Health (Pvt) Ltd, George Steuart Travels Ltd, Adpack Productions (Pvt) Ltd, George Steuart Solutions (Pvt) Ltd, Printage (Pvt) Ltd, Liberty Publishers (Pvt) Ltd and Power House Limited.

## 35.4 Key Management Personnel (KMP)

Key Management Personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity directly or indirectly.

### KMP of the Company

The Key Management Personnel of the Company comprise the members of its Board of Directors and the Board of Directors of its parent company.

### KMP of the Group

The Key Management Personnel of the Group comprise the Board of Directors of the Company, including Executive and Non-Executive Directors, and the Board of Directors of its parent company. Directors serving only on subsidiary Boards are considered KMP of the respective subsidiaries.

## 35.4.1 Other Transactions with Key Management Personnel

### Loans to Directors

No loans have been granted to the Directors of the Company or the Group.

### Key Management Personnel Compensation - Company

Directors' emoluments for the year ended 31 March 2026 amounted to Rs. 1,400,000 (2025 – Rs. 884,889).

### Key Management Personnel Compensation - Group

Directors' emoluments for the year ended 31 March 2026 amounted to Rs. 2,800,000 (2025 – Rs. 1,873,778).

### Other Transactions with Key Management Personnel

Details of Directors' shareholdings are given in the Annual Report of the Directors' on the Affairs of the Company on page 51.

## 36 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

### 36.1 Overview

The Group has exposure to the following risks from its use of financial instruments

- Market risk
- Liquidity risk
- Credit risk

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

### 36.2 Risk management framework

The Board of Directors have overall responsibility for the establishment and oversight of the Group's risk management framework. The Audit committee in managing all risks affecting the Group. The Group audit committee is assisted in its oversight role by Group's internal audit. Internal audit undertakes both regular reviews of risk management controls and procedures the results of which is reported to the audit committee. The Group finance Department of the Holding Company also implement and carries out specific risk management policies laid down and approved by the management. The Group finance division in close co-corporation with the Group's operating units identifies, evaluates and formulates principles for risk management covering specific areas such as foreign exchange risk and interest rate risk.

The Board of directors reviews and agrees policies for managing each of these risks which are summarised below.

### 36.3 Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise four types of risk: interest rate risk, currency risk, commodity price risk and other price risk, such as equity price risk. Financial instruments affected by market risk include bank overdrafts, debt and equity investments and investments designated under fair value through profit or loss.

The sensitivity analyses in the following sections relate to the position as at 31 March 2026 and 2025.

#### 36.3.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

**Interest rate sensitivity**

The following table demonstrates the sensitivity of the group's profit before tax as affected through an impact on floating rate borrowings to a reasonably possible change in interest rates assuming all other variables being held constant.

| | Increase/ decrease in basis points | Effect on profit before tax | |
|---|---|---|---|
| | | **2026** | 2025 |
| | | **Rs.** | Rs. |
| Change in basis point | +50 (0.5%) | **(11,977,375)** | (15,451,935) |
| Change in basis point | -50 (-0.5%) | **11,977,375** | 15,451,935 |
| | | | |
| Change in basis point | +500 (5%) | **(119,773,752)** | (154,519,354) |
| Change in basis point | -500 (-5%) | **119,773,752** | 154,519,354 |
| | | | |
| Change in basis point | +1000 (10%) | **(239,547,505)** | (309,038,707) |
| Change in basis point | -1000 (-10%) | **239,547,505** | 309,038,707 |

### 36.3.2 Foreign exchange risk

The Group being involved in hoteliering operates and is exposed to foreign exchange risk arising from various currency exposures primarily with respect of the US dollar and Euro. Certain room contracts are entered into in foreign currencies and invoiced in Rs. using the conversion rates established by the industry.

The following table demonstrates the sensitivity to a reasonably possible change in foreign exchange rates with all other variables held constant, the Group's profit before tax. The Group exposure to all the other currencies are not material.

| | | Change in Profit before tax | |
|---|---|---|---|
| | | **2026** | 2025 |
| | | **Rs.** | Rs. |
| Change in exchange rate (USD) | +5% | **35,778** | 2,624,646 |
| Change in exchange rate (USD) | -5% | **(35,778)** | (2,624,646) |
| | | | |
| | | | |
| Change in exchange rate (Euro) | +5% | **87,551** | 478,881 |
| Change in exchange rate (Euro) | -5% | **(87,551)** | (478,881) |
| | | | |
| | | | |
| Change in exchange rate (GBP) | +5% | **31,019** | 15,543 |
| Change in exchange rate (GBP) | -5% | **(31,019)** | (15,543) |

**Foreign currency exchange rates**

The exchange rates used for translations as at the reporting date are as follows:

| As at | **31.03.2026** | 31.03.2025 |
|---|---|---|
| United States Dollar | **315.19** | 296.32 |
| Euro | **361.74** | 319.78 |
| Great Britain Pound | **416.36** | 383.61 |

### 36.4 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as so far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and difficult conditions, without incurring unacceptable losses or risking damage to the group's reputation.

The group continuously prepare and monitors rolling cash flow forecasts and access the liquidity requirements of each operating unit to ensure it has sufficient cash to meet operational needs. Regular reviews are also carried out to check actual performance against budgeted targets. At the reporting date, the group held term deposits that are expected to readily generate cash inflows for managing liquidity risk of liabilities as at the reporting date.

## 36 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Contd.)

### MATURITY ANALYSIS - GROUP

The table below summarises the maturity profile of the Group's financial liabilities at 31 March 2026 based on contractual undiscounted payments.

| Year ended 31 March 2026 | Payable on demand | Within 1 year | Between 2-5 years | More than 5 years | Total |
|---|---|---|---|---|---|
| | Rs. | Rs. | Rs. | Rs. | Rs. |
| **Financial liabilities** | | | | | |
| Trade and other payables | **-** | **736,189,560** | **-** | **-** | **736,189,560** |
| Interest bearing loans and borrowings | **69,774,886** | **281,000,570** | **1,817,152,679** | **705,520,000** | **2,873,448,135** |
| | **69,774,886** | **1,017,190,130** | **1,817,152,679** | **705,520,000** | **3,609,637,695** |

The table below summarises the maturity profile of the Group's financial liabilities at 31 March 2025 based on contractual undiscounted payments.

| Year ended 31 March 2025 | Payable on demand | Within 1 year | Between 2-5 years | More than 5 years | Total |
|---|---|---|---|---|---|
| | Rs. | Rs. | Rs. | Rs. | Rs. |
| **Financial liabilities** | | | | | |
| Trade and other payables | - | 503,610,973 | - | - | 503,610,973 |
| Interest bearing loans and borrowings | 221,142,296 | 433,709,317 | 1,623,900,247 | 767,640,000 | 3,046,391,860 |
| | 221,142,296 | 937,320,290 | 1,623,900,247 | 767,640,000 | 3,550,002,833 |

### MATURITY ANALYSIS - COMPANY

The table below summarises the maturity profile of the company's financial liabilities at 31 March 2026 based on contractual undiscounted payments.

| Year ended 31 March 2026 | Payable on demand | Within 1 year | Between 2-5 years | More than 5 years | Total |
|---|---|---|---|---|---|
| | Rs. | Rs. | Rs. | Rs. | Rs. |
| **Financial liabilities** | | | | | |
| Trade and other payables | **-** | **343,078,836** | **-** | **-** | **343,078,836** |
| Interest bearing loans and borrowings | **20,903,509** | **213,000,570** | **682,452,679** | **153,500,000** | **1,069,856,758** |
| | **20,903,509** | **556,079,406** | **682,452,679** | **153,500,000** | **1,412,935,594** |

The table below summarises the maturity profile of the company's financial liabilities at 31 March 2025 based on contractual undiscounted payments.

| Year ended 31 March 2025 | Payable on demand | Within 1 year | Between 2-5 years | More than 5 years | Total |
|---|---|---|---|---|---|
| | Rs. | Rs. | Rs. | Rs. | Rs. |
| **Financial liabilities** | | | | | |
| Trade and other payables | - | 128,277,336 | - | - | 128,277,336 |
| Interest bearing loans and borrowings | 81,890,785 | 195,119,317 | 779,286,177 | 165,300,000 | 1,221,596,279 |
| | 81,890,785 | 323,396,653 | 779,286,177 | 165,300,000 | 1,349,873,615 |

### 36.5 Credit risk

The Group manages credit risk through customer credit assessments, review of collection history and customer deposits where appropriate. Trade receivables are assessed for lifetime expected credit losses based on ageing, historical collection experience, customer-specific factors and other relevant information.

The Group's maximum exposure to credit risk arising from financial assets at the reporting date is as follows:

| Year ended 31 March 2026 | **2026** | 2025 |
|---|---|---|
| | **Rs.** | Rs. |
| Trade and other receivables (Note 19) | **142,708,316** | 306,010,764 |
| Investments in bank deposits (Note 23) | **-** | 31,365,397 |
| Cash at bank | **25,718,514** | 104,750,785 |
| | **168,426,830** | 442,126,946 |

**TRADE AND OTHER RECEIVABLES**

The ageing of trade receivables and the related expected credit loss allowance is disclosed in Note 19.1.:

**CASH AND CASH EQUIVALENTS**

The Group held cash in hand and at bank equivalents of Rs. 25.7mn at 31 March 2026 (2025 - Rs. 104.7mn) which represents its maximum credit exposure on these assets.

Respective credit ratings of banks which group cash balances held are as follows;

- People's Bank (Sri Lanka) (PB) - 'AA-(lka)'
- Commercial Bank of Ceylon PLC (COMB) - 'AA-(lka)',
- Hatton National Bank PLC (HNB) - 'AA-(lka)'
- Sampath Bank PLC 'AA-(lka)',
- Seylan Bank PLC - 'A+(lka)',
- National Development Bank PLC (NDB) - 'A(lka)'
- Nations Trust Bank PLC (NTB) - 'A(lka)',
- Pan Asia Banking Corporation PLC (PABC) - 'BBB(lka)'

## 37 CAPITAL MANAGEMENT

The Groups objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of the capital.

The capital of the company consist of the following:

**Equity capital**

- Ordinary share capital

**Debt**

- Long term bank borrowings
- Long term related party borrowings

The group monitors capital on the basis of the debt equity ratio. This ratio is calculated based on the long term interest bearing debt and divided by total equity capital.

1. Maintain sufficient capital to meet minimum regulatory requirements. (Companies Act).
2. Group's future developments, investments and business strategies.

The Gearing ratio of the Group is 33.7% (2025–35.7%) and the Company is 16.6% (2025–19.0%). The Group manages its capital structure, and makes adjustments to it, in the light of changes in economic conditions, and continues looking for ways of improving its capital structure in order to support the Group's Business strategies.

# SUPPLEMENTARY INFORMATION

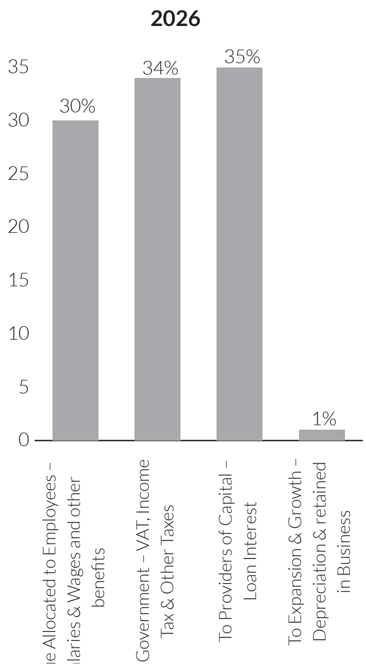
# Ten Year Financial & Key Indicators Summary - Group

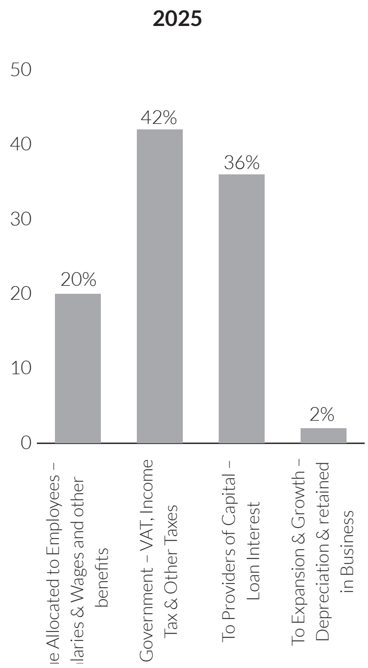
| Year ended 31 March | | 2025/2026 | 2024/2025 Restated | 2023/2024 Restated |
|---|---|---|---|---|
| Trading Results | | | | |
| Revenue | Rs.'000 | 1,878,723 | 1,816,869 | 1,654,360 |
| Operating profit /(loss) | Rs.'000 | 116,291 | 203,786 | (5,483) |
| Profit/(loss) before tax | Rs.'000 | (234,847) | (152,681) | (549,788) |
| Tax (expense)/reversal | Rs.'000 | 137,429 | 9,936 | 1,966 |
| Profit/(loss) after tax | Rs.'000 | (97,418) | (142,745) | (547,821) |
| Profit/(loss) attributable to owners of the parent | Rs.'000 | (14,677) | (119,533) | (477,736) |
| Non-controlling interest | Rs.'000 | (82,740) | (23,211) | (70,085) |
| | | | | |
| Funds employed | | | | |
| Stated capital | Rs.'000 | 5,526,202 | 5,526,202 | 4,624,024 |
| Capital reserves | Rs.'000 | 2,719,590 | 2,602,220 | 2,540,408 |
| Revenue reserves | Rs.'000 | (3,617,794) | (3,588,777) | (3,421,453) |
| Equity attributable to owners of the company | Rs.'000 | 4,627,997 | 4,539,644 | 3,742,979 |
| Non-controlling interests | Rs.'000 | 1,035,128 | 942,342 | 266,491 |
| Borrowings | Rs.'000 | 2,522,672 | 2,391,540 | 2,469,993 |
| | | | | |
| Assets Employed | | | | |
| Non-current assets | Rs.'000 | 10,286,935 | 10,193,129 | 10,206,174 |
| Current assets | Rs.'000 | 394,850 | 571,669 | 397,509 |
| Current liability of borrowings | Rs.'000 | 350,775 | 654,852 | 1,249,660 |
| Capital employed | Rs.'000 | 9,573,960 | 9,524,208 | 8,465,589 |
| | | | | |
| Cashflow | | | | |
| Net cash inflow/(outflow) from operating activities | Rs.'000 | 63,045 | (405,045) | (481,617) |
| Net cash inflow/(outflow) from investing activities | Rs.'000 | 25,039 | 533,657 | (52,183) |
| Net cash inflow/(outflow) from financing activities | Rs.'000 | (44,547) | 119,175 | 560,193 |
| Increase /(decrease) in cash and cash equivalents | Rs.'000 | 43,537 | 247,787 | 26,393 |
| | | | | |
| Key Indicators | | | | |
| Earnings/(loss) per Share - Basic (Rs.) | Rs. | (0.03) | (0.23) | (1.45) |
| Net assets value per share (Rs.) | Rs. | 8.53 | 8.37 | 13.14 |
| Market price per share (Rs.) | Rs. | 3.70 | 3.30 | 4.70 |
| Return on capital employed (%) | Times | 0.01 | 0.02 | (0.00) |
| Current ratio (times) | Times | 0.36 | 0.46 | 0.19 |
| Debt to equity ratio (times) | Times | 0.51 | 0.56 | 0.93 |
| Dividend per share (Rs.) | Rs. | - | - | - |
| Dividend payout ratio (%) | % | - | - | - |

| 2022/2023 | 2021/2022 | 2020/2021 | 2019/2020 | 2018/2019 | 2017/2018 | 2016/2017 |
|---|---|---|---|---|---|---|
| | | | | | | |
| 1,199,703 | 583,458 | 344,395 | 936,509 | 1,166,739 | 403,867 | 304,804 |
| (133,177) | (195,355) | (263,516) | (19,392) | 136,618 | 70,676 | 70,667 |
| (1,112,443) | (405,622) | (538,232) | (311,684) | (205,010) | (130,237) | 101,185 |
| (903) | 28,099 | 19,892 | 1,079 | (3,662) | (65,304) | (22,795) |
| (1,113,346) | (377,523) | (518,340) | (310,605) | (208,673) | (195,540) | 78,390 |
| (991,396) | (329,321) | (491,348) | (305,528) | (196,791) | (194,143) | 78,390 |
| (121,950) | (48,202) | (26,992) | (5,078) | (11,882) | (1,397) | - |
| | | | | | | |
| | | | | | | |
| 4,624,024 | 4,624,024 | 4,624,024 | 4,624,024 | 4,311,571 | 4,311,571 | 778,568 |
| 2,035,652 | 1,908,990 | 1,144,665 | 852,998 | 856,753 | 849,934 | 124,179 |
| (2,786,529) | (1,796,962) | (1,563,782) | (1,144,062) | (888,639) | (691,205) | 353,394 |
| 4,205,282 | 5,068,186 | 4,537,041 | 4,665,095 | 4,611,820 | 4,802,435 | 1,256,141 |
| 312,919 | 423,885 | 199,634 | 28,019 | 85,127 | 97,000 | - |
| 3,178,251 | 2,736,781 | 2,452,956 | 2,580,346 | 2,372,069 | 1,620,029 | 291,080 |
| | | | | | | |
| | | | | | | |
| 9,407,718 | 9,442,220 | 8,367,039 | 8,045,696 | 7,889,292 | 8,498,503 | 1,652,494 |
| 297,675 | 210,217 | 110,430 | 180,429 | 460,861 | 512,848 | 204,847 |
| 701,776 | 650,704 | 638,314 | 399,455 | 615,160 | 1,584,242 | 190,391 |
| 7,696,452 | 8,228,852 | 7,189,631 | 7,273,460 | 7,069,016 | 6,519,464 | 1,547,221 |
| | | | | | | |
| | | | | | | |
| (13,972) | (37,220) | (138,588) | 41,316 | (289,138) | 73,482 | 83,272 |
| (67,114) | 127,428 | 153,395 | (81,814) | 209,399 | (1,192,994) | (47,475) |
| 56,775 | (21,041) | (18,584) | 68,770 | 887,810 | (8,572) | 79,617 |
| (24,311) | 69,167 | (3,777) | 28,273 | 808,071 | (1,128,084) | (43,820) |
| | | | | | | |
| | | | | | | |
| (3.48) | (0.08) | (1.72) | (1.11) | (0.96) | (2.57) | 1.36 |
| 14.76 | 17.79 | 15.93 | 16.37 | 22.52 | 23.45 | 21.82 |
| 5.10 | 5.70 | 5.30 | 3.20 | 3.70 | 7.20 | 13.20 |
| (0.02) | (0.02) | (0.04) | (0.00) | 0.02 | 0.01 | 0.05 |
| 0.19 | 0.20 | 0.11 | 0.24 | 0.43 | 0.22 | 0.69 |
| 0.70 | 0.50 | 0.52 | 0.55 | 0.51 | 0.33 | 0.23 |
| - | - | - | - | - | 0.1 | 0.1 |
| - | - | - | - | - | (0.0) | 0.1 |

# Statement of Value Added

| | Group | | | |
|---|---|---|---|---|
| | **2026** | | 2025 | |
| | **Rs.** | **%** | Rs. | % |
| Turnover | **1,878,722,846** | | 1,816,868,919 | |
| Taxes - VAT and others | **288,712,181** | | 463,529,463 | |
| Gross Turnover | **2,167,435,027** | | 2,280,398,382 | |
| Other Income | **19,569,857** | | 94,950,083 | |
| Total Value Added | **2,187,004,884** | | 2,375,348,465 | |
| Less: Cost of Material & Services bought in | **(1,334,012,371)** | | (1,282,235,425) | |
| Net Value Added | **852,992,513** | | 1,093,113,039 | |
| | | | | |
| | | | | |
| **Value Allocated to Employees > Salaries & Wages and other benefits** | **259,041,974** | **30%** | 219,844,000 | 20% |
| **To Government > VAT, Income tax & Other Taxes** | **288,712,181** | **34%** | 463,529,463 | 42% |
| **To Providers of Capital > Loan Interest** | **300,261,630** | **35%** | 395,439,841 | 36% |
| **To Expansion & Growth > Depreciation & retained in Business** | **4,976,728** | **1%** | 14,299,735 | 2% |
| | | | | |
| Total | **852,992,513** | **100%** | 1,093,113,039 | 100% |



# Shareholder Information

**ORDINARY SHAREHOLDERS**

There were 4,545 registered shareholders as at 31 March 2026, distributed as follows.

**SHAREHOLDERS CATEGORISED SUMMARY REPORT - AS AT 31 MARCH 2026**

| | Resident | | | Non Resident | | | Total | | |
|---|---|---|---|---|---|---|---|---|---|
| Shareholdings | Number of Shareholders (Resident) | No.of Shares (Resident) | % (Resident) | Number of Shareholders (Non Resident) | No.of Shares (Non Resident) | % (Non Resident) | Number of Shareholders (Total) | No.of Shares (Total) | % (Total) |
| 1-1,000 | 2,235 | 618,794 | 0.11 | 10 | 3,270 | 0.42 | 2,245 | 622,064 | 0.11 |
| 1,001-10,000 | 1,259 | 5,357,877 | 0.99 | 4 | 12,211 | 1.58 | 1,263 | 5,370,088 | 0.99 |
| 10,001-100,000 | 744 | 27,884,835 | 5.15 | 5 | 133,333 | 17.25 | 749 | 28,018,168 | 5.16 |
| 100,001-1,000,000 | 252 | 79,912,499 | 14.75 | 2 | 624,343 | 80.75 | 254 | 80,536,842 | 14.84 |
| 1,000,001 & Over | 34 | 428,116,369 | 79.00 | - | - | - | 34 | 428,116,369 | 78.90 |
| Total | 4,524 | 541,890,374 | 100.00 | 21 | 773,157 | 100.00 | 4,545 | 542,663,531 | 100.00 |

**CATEGORIES OF SHAREHOLDERS**

| | Resident | | | Non-Resident | | | Total | | |
|---|---|---|---|---|---|---|---|---|---|
| Shareholdings | No of Holders | No of Shares | % | No of Holders | No of Shares | % | No of Holders | No of Shares | % |
| Individual | 4,332 | 140,036,741 | 25.84 | 20 | 648,157 | 83.83 | 4352 | 140,684,898 | 25.92 |
| Institutional | 192 | 401,853,633 | 74.16 | 1 | 125,000 | 16.17 | 193 | 401,978,633 | 74.08 |
| Total | 4,524 | 541,890,374 | 100.00 | 21 | 773,157 | 100.00 | 4,545 | 542,663,531 | 100.00 |

The percentage of issued shares held by the public as at 31 March 2026 was 36.08% (As at 31 March 2025 it was 24.56%) and the number of shareholders were 4,545 (As at 31 March 2025 was 3,561).

The Float Adjusted Market Capitalisation of the Company as at 31 March 2026 is Rs. 724,413,306/- and the Company falls under Option 2 of Rule 7.13.1 (i) (a) of the Listing Rules of the CSE.

**SHARE PRICES FOR THE YEAR (MARKET PRICE PER SHARE, RS.)**

| Name | As at 31.03.2026 | As at 31.03.2025 |
|---|---|---|
| Highest during the year Rs. | **4.80** | 5.00 |
| Date | **06.02.2026** | 02.05.2024 |
| Lowest during the year Rs. | **3.30** | 3.10 |
| Date | **19.03.2026** | 19.03.2025 |
| As at end of the year Rs. | **3.70** | 3.30 |

# Shareholder Information

## TWENTY LARGEST SHAREHOLDERS

| | Name | 31.03.2026 | | 31.03.2025 | |
|---|---|---|---|---|---|
| | | No of Shares | (%) | No of Shares | (%) |
| 1 | Citrus Leisure PLC | **309,892,585** | **57.11** | 372,392,585 | 68.62 |
| | Mes Citrus Leisure PLC | **36,271,549** | **6.68** | 36,271,549 | 6.68 |
| 2 | Mr. K.V. Hewavitarne | **13,500,000** | **2.49** | 5,000,000 | 0.92 |
| 3 | Mr. V.K.A.M. Karunarathne | **6,330,538** | **1.17** | - | - |
| 4 | Hatton National Bank PLC/Ravindra Erle Rambukwelle | **5,425,000** | **1.00** | 4,400,000 | 0.81 |
| 5 | Mr. T.G. Thoradeniya | **5,080,156** | **0.94** | 4,080,156 | 0.75 |
| 6 | Seylan Bank PLC/Weththinge Jinadasa | **3,990,601** | **0.74** | - | - |
| 7 | Mrs. K.M. Goonewardene | **3,647,054** | **0.67** | 3,647,054 | 0.67 |
| 8 | Mr. R.E. Rambukwelle | **3,310,855** | **0.61** | 2,147,600 | 0.40 |
| 9 | Mr. A. Lukmanjee | **2,858,836** | **0.53** | 758,836 | 0.14 |
| 10 | Mr. R.R.S. Ananda | **2,828,386** | **0.52** | - | - |
| 11 | Seylan Bank PLC/Gladstone Capital (Private) Limited | **2,750,000** | **0.51** | - | - |
| 12 | Dialog Finance PLC/S.D.M. Hemajith & R.A.N. Udani | **2,537,304** | **0.47** | 1,376,270 | 0.25 |
| 13 | Emarketingeye (Pvt) Ltd | **2,285,181** | **0.42** | 1,785,181 | 0.33 |
| 14 | Merchant Bank Of Sri Lanka & Finance PLC/R.M.N.C. Bandra | **1,835,401** | **0.34** | - | - |
| 15 | Senkadagala Finance PLC/S.Gobinath | **1,700,000** | **0.31** | - | - |
| 16 | Mr. C.W. Vandort | **1,649,900** | **0.30** | - | - |
| 17 | Mr. C. Yatawara | **1,622,464** | **0.30** | 1,622,464 | 0.30 |
| 18 | Seylan Bank PLC/Anuja Chamila Jayasinghe | **1,620,076** | **0.30** | - | - |
| 19 | Mr. K.A.D.D. Perera | **1,500,000** | **0.28** | 1,500,000 | 0.28 |
| 20 | Senkadagala Finance Plc/D.S.N.P.W.Samarakoon | **1,500,000** | **0.28** | - | - |
| | **Sub Total** | **412,135,886** | **75.95** | 434,981,695 | 80.16 |
| | **Others** | **130,527,645** | **24.05** | 107,681,836 | 19.84 |
| | **Total** | **542,663,531** | **100.00** | 542,663,531 | 100.00 |

## DIRECTORS' AND CEO'S SHAREHOLDING AS AT 31 MARCH 2026

| | Name | 31.03.2026 | | 31.03.2025 | |
|---|---|---|---|---|---|
| | | No of Shares | (%) | No of Shares | (%) |
| 1 | Mr Sharvajana Anandaraj Ameresekere | **-** | **-** | - | - |
| 2 | Mr. Rajinda Seneviratne (held via Seylan Bank PLC / Rajinda Goonewardene Seneviratne) | **212,749** | **0.04** | 212,749 | 0.04 |
| 3 | Mr Sembukuttige Mani Ammal De Silva Sugathapala | **464,394** | **0.09** | 464,394 | 0.09 |
| 4 | Mr. Punsisi Lalith Patuwatha Withana | **-** | **-** | - | - |
| 5 | Mr Priyanka Niran Mahawatte | **-** | **-** | - | - |
| 6 | Mr Samantha Pradeep Samarawickrama Ranatunga | **-** | **-** | - | - |
| 7 | Director / Group CEO - Mr Priya Chandana Bandara Talwatte | **9,523** | **0.00** | 9,523 | 0.00 |

# Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN THAT** the Fifteenth (15th) Annual General Meeting of Hikkaduwa Beach Resort PLC will be held on 24 September 2026 at 10.20 am. at the Sri Lanka Foundation, Lecture Hall No. 03, No. 100, Padanam Mawatha, Independence Square, Colombo 07 for the following purposes:

**1. ORDINARY BUSINESS**

1.1 To receive the Annual Report of the Board of Directors on the affairs of the Company and its subsidiary and the Financial Statements for the year ended 31 March 2026 and the Report of the Auditors thereon.

1.2 To re-elect Mr. Sharvajana Anandaraj Ameresekere as a Director who retires by rotation in terms of Articles 88 and 89 of the Articles of Association of the Company.

1.3 To re-appoint the retiring Auditors Messrs Ernst & Young, Chartered Accountants, as the Company's Auditors and to authorise the Directors to determine their remuneration.

1.4 To authorise the Directors to determine donations for the year ending 31 March 2027 and up to the date of the next Annual General Meeting.

**2. SPECIAL BUSINESS**

2.1 To consider and if thought fit, to pass the following resolution as a Special Resolution:

**'IT IS HEREBY RESOLVED THAT the Articles of Association of the Company be amended:**

(1) by the inclusion of following as the Article 121(iv) under the existing heading, 'Alternate Directors' at the end of Article 121 ;

(iv) "The appointment of an Alternate Director shall be subject to the approval of the Board."'

By order of the Board
Hikkaduwa Beach Resort PLC

**P W Corporate Secretarial (Pvt) Ltd**
Secretaries

28 August 2026

**Notes**

1. A Shareholder entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend, speak and vote on behalf of him/hers.
2. A proxy need not be a Shareholder of the Company.
3. The Form of Proxy is enclosed for this purpose

# Notes

# Form of Proxy

I/We*....................................................................................................................(NIC/Passport/Co. Reg. No. ....................................................................)

of............................................... ..........................................being a shareholder / shareholders of HIKKADUWA BEACH RESORT PLC hereby

Appoint ........................................................................ (NIC/Passport No...............................) of............................................................... .........................

or failing him/her,

| | |
|---|---|
| Mr. S P S Ranatunga | or failing him* |
| Mr. P C B Talwatte | or failing him* |
| Mr. S M A De Silva Sugathapala | or failing him* |
| Mr. R G Seneviratne | or failing him* |
| Mr. S A Ameresekere | or failing him* |
| Mr. P L P Withana | or failing him* |
| Mr. P N Mahawatte | |

as my/our* proxy to represent and speak and vote as indicated hereunder for me/us* and on my/our* behalf at the Fifteenth (15th) Annual General Meeting of the Company to be held on 24 September 2026 at 10.20 a.m. and at every poll which may be taken in consequence of the aforesaid Meeting and at any adjournment thereof.

## 1. ORDINARY BUSINESS

| | | For | Against |
|---|---|---|---|
| (1) | To re-elect Mr. Sharvajana Anandaraj Ameresekere as a Director who retires by rotation in terms of Articles 88 and 89 of the Articles of Association of the Company.. | ☐ | ☐ |
| (2) | To re-appoint the retiring Auditors Messrs Ernst & Young, Chartered Accountants, as the Company's Auditors and to authorise the Directors to determine their remuneration. | ☐ | ☐ |
| (3) | To authorise the Directors to determine donations for the year ending 31 March 2027 and up to the date of the next Annual General Meeting. | ☐ | ☐ |

## 2 SPECIAL BUSINESS

| | | For | Against |
|---|---|---|---|
| (1) | To pass the Special Resolution as set out in item 2.1 of the Notice of Meeting | ☐ | ☐ |

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

..............................................
Signature of Shareholder/s

*Please delete what is inapplicable.

**Notes:**

1. A proxy need not be a shareholder of the Company
2. Instructions as to completion appear overleaf.

# Form of Proxy

**INSTRUCTIONS FOR COMPLETION**

1. The full name, National Identity Card number and the registered address of the shareholder appointing the Proxy and the relevant details of the Proxy should be legibly entered in the Form of Proxy which should be duly signed and dated.

2. The completed Proxy should be deposited at the Registered Office of the Company, No.56/1, Kynsey Road, Colombo 08 by 10.20 p.m. on 22nd September 2026.

3. The Proxy shall –

   (a) In the case of an individual be signed by the shareholder or by his attorney, and if signed by an attorney, a notarially certified copy of the Power of Attorney should be attached to the completed Proxy if it has not already been registered with the Company.

   (b) In the case of a company or corporate / statutory body either be under its Common Seal or signed by its Attorney or by an Officer on behalf of the Company or corporate / statutory body in accordance with its Articles of Association or the Constitution or the Statute. (as applicable)

4. If you wish to appoint a person other than the Chairman or a Director of the Company as your Proxy, please insert the relevant details in the space provided.

5. Please indicate with a 'X' in the space provided how your Proxy is to vote on each resolution. If no indication is given, the Proxy in his discretion will vote as he thinks fit.

6. In the case of joint holders the Form of Proxy must be signed by the first holder.

# Corporate Information

**NAME OF COMPANY**
Hikkaduwa Beach Resort PLC

**LEGAL FORM**
Public Quoted Company with limited liability
Incorporated in Sri Lanka

**COMPANY REGISTRATION NO**
PB 4520 PQ

**REGISTERED OFFICE**
No: 56/1, Kynsey Road, Colombo 08.
Telephone : 0117-755-388
E-mail : direct@citrusleisure.com
Website : www.citrusleisure.com

**BOARD OF DIRECTORS**
Mr. S. P. S. Ranatunga (Chairman)
Mr. P. C. B. Talwatte
Mr. S. M. A. D. S. Sugathapala
Mr. R.G Seneviratne
Mr. S.A. Ameresekere
Mr. P. L. P Withana
Mr. P.N. Mahawatte

**CHIEF EXECUTIVE OFFICER**
Mr. P. C. B. Talwatte

**AUDIT COMMITTEE**
Mr. P.L.P. Withana (Chairman)
Mr. S.P.S. Ranatunga
Mr. P.N. Mahawatte

**REMUNERATION COMMITTEE**
Mr. P.N. Mahawatte (Chairman)
Mr. P. L. P Withana
Mr. S.A. Ameresekere

**NOMINATIONS & GOVERNANCE COMMITTEE**
Mr. P.N. Mahawatte (Chairman)
Mr. S. P. S. Ranatunga
Mr. S.A. Ameresekere

**RELATED PARTY TRANSACTIONS REVIEW COMMITTEE**
Mr. P.L.P. Withana (Chairman)
Mr. S.P.S. Ranatunga
Mr. S.A. Ameresekere

**COMPANY SECRETARIES**
P W Corporate Secretarial (Pvt) Ltd.
No.3/17, Kynsey Road,
Colombo 08.

**COMPANY REGISTRARS**
Central Depository Systems (Pvt) Limited
Ground Floor, M & M Center,
341/5, Kotte Road, Rajagiriya.

**AUDITORS**
Ernst & Young
Chartered Accountants
Rotunda Towers, No. 109, Galle Road
Colombo 03.

**BANKERS**
Sampath Bank PLC
Commercial Bank of Ceylon PLC
Pan Asia Banking Corporation PLC
Nations Trust Bank PLC
Hatton National Bank PLC
National Development Bank PLC
NDB Wealth Management LTD
Peoples Bank
Seylan Bank PLC

**SUBSIDIARIES**
Waskaduwa Beach Resort PLC (PB 4242 PQ)

**INVESTOR RELATIONS**
Please contact Group Head of Finance
Ms.Kaushika Ranasinghe
+94775700473
kaushika@citrusleisure.com

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www.citrusleisure.com

**Hikkaduwa Beach Resort PLC**
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