DOLPHIN HOTELS PLC

ANNUAL REPORT 2025/26

Club Hotel Dolphin

Contents

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ANNUAL REPORT

2025/26

OUR VISION

To be one of the top three contributors to the development of the hospitality industry in Sri Lanka and be the benchmark for guest service, F&B standards and management of human capital

OUR MISSION

Our Guests

» To create experiences to write home about by exceeding the expectations of our guests at all times

Our Customers

» To be the most trusted hotel partner, delivering consistently superior value at all times

Our People

» To create an environment that will inspire our people to work with pride, happiness and passion which will reflect in service excellence thus delighting our guests

Our Community

» To develop our community and protect our environment by adopting and implementing sustainable tourism initiatives

Our Shareholders

» To deliver superior returns to our shareholders through sustained performance excellence

OUR VISION
OUR MISSION

Overview

OUR PHILOSOPHY

To reflect our engagement with our stakeholders and our passion to elevate the Serendib Leisure hotels to the pinnacle of service excellence. Our decade-long experience in hospitality and pursuit of achieving 100% customer satisfaction drives all our operations.

OUR VALUES

We Think Boldly

» We take pride in big ideas. And we believe that each and every one of us should have an input into the future of the company.

We Lead Change

» Never content with maintaining the status quo. We always embrace change, relishing the chance to meet the shifting needs of the world around us.

We Thrive On Creativity

» It doesn't matter where you come from or what your background is - we judge each other on our ability to look at things differently and find novel solutions to complex puzzles.

We Evolve With Our Customers

» We foster a dynamic culture that inspires total confidence and evolves based on the changing demands of all our stakeholders.

We Personalise Experiences

» For our career journeys as well as for our customers, we believe in catering to the individual rather than to the masses.

We Keep Learning

» We constantly strive to be the best we can be. And when we get there, we strive to be even better -never stopping or resting on our laurels.

Integrated Reporting Framework

"Creating Sustainable Hospitality Value Through Resilient Growth, Operational Excellence and Responsible Tourism Leadership"

ABOUT THIS INTEGRATED REPORT

This Integrated Report has been developed to provide a strategically connected and institutionally aligned overview of how Dolphin Hotels PLC creates, preserves, and sustains value within a rapidly evolving hospitality and tourism landscape.

The Report goes beyond traditional financial reporting by integrating financial performance with strategy, governance, operational execution, sustainability priorities, stakeholder relationships, risk management, and long-term value creation drivers. It reflects management's view that sustainable corporate performance cannot be assessed solely through financial outcomes, but rather through the Company's ability to effectively manage its operational resources, stakeholder relationships, environmental responsibilities, and strategic positioning within a highly dynamic tourism environment.

The reporting approach adopted by the Company aims to demonstrate the interconnectivity between:

- Strategy and operational execution
- Governance and accountability
- Risk management and resilience
- Sustainability and long-term profitability
- Stakeholder engagement and value creation
- Operational performance and future growth capability

The Report has been prepared in line with internationally recognised Integrated Reporting principles and reflects the Company's commitment toward transparency, responsible corporate stewardship, disciplined management practices, and sustainable long-term value creation.

The Board of Directors and Management believe that integrated thinking remains essential in navigating the increasing complexity of the global hospitality industry, where operational agility, sustainability integration, guest experience enhancement, digital capability, and financial resilience are becoming increasingly interconnected drivers of competitiveness.

Accordingly, this Report seeks to provide stakeholders with a comprehensive understanding of the Company's business model, strategic direction, operational priorities, financial performance, sustainability focus, and future outlook.

This Integrated Report of Dolphin Hotels PLC has been prepared to provide stakeholders with a comprehensive and integrated overview of the Company's strategy, governance, operational performance, financial results, sustainability priorities, risks, opportunities, and future outlook for the financial year ended 31 March 2026.

The Report explains how the Company creates sustainable value over the short, medium, and long term through the effective management and utilisation of its financial, operational, human, intellectual, social, and environmental resources.

Unlike traditional financial reporting, this Integrated Report aims to present a connected and balanced view of the business by demonstrating the relationship between the Company's operational activities, strategic priorities, governance practices, stakeholder relationships, sustainability initiatives, and financial performance.

The Report has been prepared in line with the guiding principles of Integrated Reporting and reflects management's commitment toward transparency, accountability, long-term value creation, and responsible corporate stewardship.

ORGANISATIONAL OVERVIEW AND EXTERNAL ENVIRONMENT

CORPORATE OVERVIEW

Dolphin Hotels PLC is a leading hospitality Company operating within Sri Lanka's coastal tourism sector. Strategically located in Negombo, one of the country's most recognised tourism destinations and a key transit gateway for international travellers, the Company provides hospitality experiences centred on comfort, service excellence, leisure, wellness, and sustainable tourism.

The Company operates within an increasingly competitive and rapidly evolving hospitality landscape, where customer expectations, digital transformation, sustainability requirements, and operational efficiency continue to shape industry dynamics.

Supported by its strategic location, experienced workforce, operational expertise, and commitment to service excellence, Dolphin Hotels PLC continues to strengthen its position within Sri Lanka's hospitality industry while focusing on sustainable long-term growth and stakeholder value creation.

The Company's business activities primarily include:

» Accommodation and room operations

» Food and beverage services

» Leisure and wellness operations

» SPA and recreational services

» Guest experience management

» Tourism and hospitality-related services

The Company remains committed to maintaining high standards of operational performance while contributing positively toward Sri Lanka's tourism industry and the broader economy.

VISION, MISSION AND CORE VALUES

OUR VISION

To be one of the top three contributors to the development of the hospitality industry in Sri Lanka and be the benchmark for guest service, F&B standards and management of human capital

OUR MISSION

Our Guests
To create experiences to write home about by always exceeding the expectations of our guests

Our customers
To be the most trusted hotel partner, delivering consistently superior value at all times

Our People
To create an environment that will inspire our people to work with pride, happiness and passion which will reflect in service excellence thus delighting our guests

Our community
To develop our community and protect our environment by adopting and implementing sustainable tourism initiatives

Our Shareholders
To deliver superior returns to our shareholders through sustained performance excellence

OUR CORE VALUES

Service Excellence
Maintaining high standards of hospitality and consistently exceeding guest expectations.

Integrity and Accountability
Conducting business with transparency, professionalism, and ethical responsibility.

Sustainability
Promoting responsible tourism practices and environmental stewardship.

Innovation and Adaptability
Continuously improving operational processes and embracing technological advancement.

People-Centric Culture
Recognising employees as the foundation of the Company's long-term success.

Stakeholder Value Creation
Creating sustainable and balanced value for shareholders, employees, guests, suppliers, and communities.

EXTERNAL OPERATING ENVIRONMENT

GLOBAL TOURISM INDUSTRY OVERVIEW

The global tourism and hospitality industry during the financial year 2025/26 continued to operate within an environment characterized by both recovery momentum and heightened structural complexity. While international tourism demand strengthened across many regions, the operating environment remained heavily influenced by inflationary pressures, geopolitical instability, supply chain disruptions, aviation-related uncertainties, evolving traveller expectations, and increasing sustainability considerations.

The industry increasingly transitioned toward a more experience-driven and digitally integrated operating model, with travellers demonstrating greater preference for personalized travel experiences, wellness tourism, experiential leisure offerings, environmentally responsible hospitality practices, and seamless digital engagement throughout the customer journey.

Hospitality operators globally were therefore required to continuously adapt operational models, service delivery frameworks, and commercial strategies in order to remain competitive within an increasingly demanding marketplace.

At the same time, the industry faced continued pressure arising from:

» Elevated energy and utility costs
» Inflation-driven operational expenditure increases
» Labour shortages and talent retention challenges
» Climate-related operational disruptions
» Geopolitical uncertainty impacting global travel flows
» Increased competition among international tourism destinations
» Technology investment requirements and digital transformation pressures

One of the most significant external developments impacting the tourism sector during the year was the escalation of geopolitical tensions and conflict within the Middle East region. These developments created substantial volatility across global aviation and travel markets due to the strategic importance of Middle Eastern airspace and transit hubs within international airline networks.

The disruption of major aviation corridors resulted in:

» Airline route diversions and operational adjustments
» Increased global fuel and aviation operating costs
» Higher international airfares
» Flight schedule disruptions and reduced connectivity efficiency
» Extended travel durations across certain long-haul routes
» Capacity constraints within key transit hubs
» Heightened uncertainty within international travel markets

For Sri Lanka, the impact of these developments was particularly relevant due to the country's significant reliance on Middle Eastern transit hubs such as Dubai and Doha for long-haul tourism connectivity. The resulting operational adjustments within the aviation sector contributed toward increased travel costs, fluctuations in booking lead times, cautious traveller sentiment, and short-term volatility in inbound travel demand from selected international markets.

The uncertainty created by these geopolitical developments also influenced traveller decision-making behaviour, with tourists increasingly prioritizing flexibility, travel security, pricing sensitivity, and destination stability when planning international travel.

Despite these external pressures, global demand for coastal tourism, wellness travel, experiential leisure experiences, and lifestyle-oriented hospitality offerings remained relatively resilient throughout the year, supporting continued recovery momentum across several tourism markets.

The global tourism industry during the financial year 2025/26 continued to evolve amidst changing traveller behaviour, technological advancement, geopolitical uncertainty, inflationary pressures, and increasing focus on sustainability.

International tourism demand continued its gradual recovery, supported by improving global mobility, stronger airline connectivity, increased consumer confidence, and growing demand for experiential travel. Travellers increasingly prioritised personalis ed experiences, wellness tourism, eco-tourism, cultural exploration, and digitally enabled hospitality services.

At the same time, the industry continued to face significant challenges, including:

» Inflationary cost pressures impacting consumer spending patterns
» Rising energy and utility costs
» Geopolitical instability affecting global travel routes
» Climate-related and environmental disruptions
» Workforce shortages and talent retention challenges
» Increased global competition among tourism destinations

BUSINESS MODEL

Sri Lanka's tourism industry continued its gradual recovery during the financial year under review, supported by improving economic stability, enhanced destination promotion, increasing airline operations, and renewed confidence among international travellers.

The country continued to strengthen its positioning as one of South Asia's most attractive travel destinations due to its:

» Coastal tourism attractions
» Cultural and heritage sites
» Biodiversity and wildlife tourism
» Wellness and leisure tourism offerings
» Eco-tourism experiences
» Hospitality culture and geographic accessibility

Tourist arrivals improved steadily during the year, particularly from key source markets including India, the United Kingdom, Germany, Russia, and China.

However, the local tourism industry continued to operate within a challenging environment characterised by:

» Currency fluctuations

Currency fluctuations continued to have a significant impact on the tourism and hospitality industry during the year. While the depreciation of the Sri Lankan Rupee improved destination affordability and supported international tourist demand by offering better value for foreign travellers, it also increased operational costs for hotels due to higher prices of imported goods, utilities, fuel, food and beverage supplies, technology investments, and maintenance-related expenditure. In addition, exchange rate volatility contributed toward uncertainty in travel spending patterns, airline pricing, and booking behaviour within international markets. As a result, hospitality operators were required to maintain greater focus on cost management, revenue optimisation, and operational efficiency in order to protect profitability and remain competitive within the evolving tourism landscape.

» Inflationary cost pressures

Inflationary cost pressures continued to significantly impact the tourism and hospitality industry during the year by increasing operational expenditure across key areas such as utilities, energy consumption, food and beverage procurement, employee remuneration, transportation, and property maintenance. Rising costs placed pressure on hotel profitability and operating margins, while also affecting consumer travel spending and pricing sensitivity within international tourism markets. As a result, hospitality operators were required to adopt stricter cost management measures, improve operational efficiency, and implement strategic pricing and revenue optimisation initiatives in order to maintain service standards, competitiveness, and long-term financial sustainability.

» High utility and energy costs

High utility and energy costs continued to place considerable pressure on the hospitality industry during the year, particularly due to the energy-intensive nature of hotel operations. Rising electricity, fuel, water, and utility expenses increased overall operating costs across accommodation services, food and beverage operations, laundry, air conditioning, and recreational facilities. As a result, hotels were required to place greater emphasis on energy efficiency initiatives, resource optimisation, and cost control measures in order to manage operational expenditure while maintaining service quality and guest comfort standards.

» Talent retention challenges

Talent retention challenges remained a key concern within the hospitality industry during the year as competition for skilled employees continued to intensify both locally and internationally. The sector experienced increasing pressure to attract, develop, and retain experienced hospitality professionals amidst rising migration trends, changing workforce expectations, and growing demand for skilled talent across global tourism markets. As a result, hotels were required to strengthen employee engagement, training and development, remuneration structures, workplace culture, and career progression opportunities in order to maintain service standards, operational continuity, and long-term organisational capability.

» Global tourism competition

Global tourism competition continued to intensify during the year as destinations across the region actively pursued tourism recovery and market share growth through aggressive destination marketing, pricing strategies, infrastructure development, and enhanced visitor experiences. Hospitality operators were therefore required to continuously strengthen service quality, brand positioning, operational efficiency, digital engagement, and differentiated guest experiences in order to remain competitive and attract international travellers within an increasingly dynamic and competitive global tourism landscape.

» External geopolitical uncertainty

External geopolitical uncertainty continued to impact the global tourism industry during the year by influencing international travel sentiment, airline operations, fuel prices, and overall market stability. Geopolitical conflicts and regional tensions, particularly within key global transit and travel corridors, contributed toward fluctuations in travel demand, cautious booking behaviour, and operational disruptions across international tourism markets. As a result, hospitality operators were required to remain agile and responsive in managing market risks, adapting commercial strategies, and maintaining operational resilience amidst an increasingly uncertain global environment.

Nevertheless, Sri Lanka's hospitality industry continued to demonstrate resilience and adaptability through operational innovation, digital transformation initiatives, enhanced guest engagement, and stronger focus on sustainable tourism practices.

As a strategically located coastal destination near Sri Lanka's primary international airport, Negombo continued to benefit from both international leisure travellers and transit tourism demand.

SRI LANKAN TOURISM INDUSTRY OVERVIEW

The business model of Dolphin Hotels PLC is designed to create sustainable value through the effective utilisation of resources, operational excellence, guest experience management, and long-term strategic investments.

Inputs

a) Financial Capital

The Company utilises equity funding, borrowings, internally generated cash flows, and financial resources to support business operations, investments, maintenance activities, and strategic growth initiatives.

b) Manufactured Capital

Manufactured capital includes the Company's hotel property, guest rooms, recreational facilities, restaurants, SPA facilities, operational infrastructure, and related hospitality assets.

c) Human Capital

Employees remain one of the Company's most important strategic assets. Human capital includes employee skills, operational expertise, hospitality knowledge, leadership capability, and service culture.

d) Intellectual Capital

Intellectual capital includes the Company's operational systems, standard operating procedures, digital capabilities, customer relationship systems, revenue management expertise, and brand reputation.

e) Social and Relationship Capital

The Company maintains strong relationships with guests, suppliers, travel agents, tourism partners, regulators, shareholders, and local communities.

f) Natural Capital

Natural capital includes environmental resources utilised within operations, including energy, water, coastal ecosystems, and environmental surroundings supporting tourism activities.

Key Business Activities

The Company's primary operational activities include:

- Hotel accommodation operations
- Food and beverage services
- SPA and wellness services
- Leisure and recreational services
- Guest engagement and customer experience management
- Sales, marketing, and revenue management
- Property operations and maintenance
- Sustainability and environmental initiatives

Outputs

The Company generates value through:

- Hospitality and leisure services
- Guest experiences and customer satisfaction
- Revenue generation
- Employment opportunities
- Supplier and community engagement
- Sustainable tourism contributions

Short-Term Outcomes

- Revenue growth
- Occupancy improvement
- Guest satisfaction enhancement
- Operational efficiency improvement

Medium-Term Outcomes

- Stronger brand positioning
- Improved profitability
- Customer loyalty and retention
- Enhanced operational resilience

Long-Term Outcomes

- Sustainable stakeholder value creation
- Long-term business growth
- Environmental stewardship
- Strengthened tourism sector contribution

STRATEGIC PRIORITIES

The Company's strategy remains focused on strengthening operational resilience, enhancing guest experiences, improving profitability, and supporting long-term sustainable growth.

Key strategic priorities during the year included:

Revenue Optimisation

Strengthening occupancy performance, improving Average Room Rate (ARR), enhancing market penetration, and optimising revenue across all operational segments.

Operational Efficiency

Improving cost management, resource utilisation, operational responsiveness, and process efficiency across all departments.

Guest Experience Enhancement

Enhancing service standards, personalised hospitality offerings, digital engagement, and customer satisfaction initiatives.

Sustainability and Responsible Tourism

Promoting environmentally responsible operations, resource efficiency, waste management, and sustainable tourism practices.

Property Maintenance and Infrastructure Investment

Continuing reinvestment in property upkeep, operational infrastructure, and asset enhancement initiatives.

Digital Transformation

Leveraging technology, operational systems, revenue management tools, and digital customer engagement platforms.

GOVERNANCE STRUCTURE

The Board of Directors of Dolphin Hotels PLC remains firmly committed to maintaining the highest standards of corporate governance, ethical business conduct, transparency, accountability, and responsible corporate stewardship. The Company recognises that strong governance practices are fundamental to maintaining stakeholder confidence, protecting long-term shareholder value, and supporting sustainable business growth within an increasingly dynamic and regulated operating environment.

The governance framework of the Company has been structured to support effective oversight, disciplined decision-making, risk management, regulatory compliance, and long-term strategic execution across all areas of the business. The framework promotes a balanced approach toward operational performance, financial discipline, sustainability integration, and stakeholder engagement while ensuring that the Company operates in accordance with applicable legal, regulatory, and ethical standards.

The Board continues to provide strategic leadership and independent oversight in relation to key areas including strategic planning and long-term business direction, financial stewardship, operational performance monitoring, internal control systems, enterprise risk management, sustainability governance, and corporate accountability. In addition, the Board actively oversees the Company's approach toward stakeholder communication, ensuring transparency and timely engagement with shareholders, regulators, business partners, employees, and other key stakeholders.

The Company also remains focused on strengthening governance processes through continuous review of internal controls, policy frameworks, compliance mechanisms, and risk management practices in order to enhance organisational resilience and operational integrity. Greater emphasis continues to be placed on maintaining effective governance structures capable of responding to evolving business risks, market developments, cybersecurity considerations, sustainability expectations, and changing regulatory requirements.

Management remains committed to fostering a strong culture of integrity, professionalism, accountability, and ethical conduct across the organisation. Through disciplined governance practices and responsible management oversight, the Company continues to support long-term business sustainability, operational stability, stakeholder trust, and sustainable value creation for all stakeholders.

RISK MANAGEMENT AND BUSINESS RESILIENCE

The hospitality and tourism industry operates within an increasingly complex and rapidly evolving environment exposed to a wide range of operational, financial, environmental, technological, and geopolitical risks. As global travel markets continue to experience changing economic conditions, evolving customer expectations, geopolitical uncertainty, and climate-related challenges, effective risk management has become a critical component of long-term business sustainability and operational resilience.

Recognising the dynamic nature of the industry, Dolphin Hotels PLC continues to maintain a structured and proactive Enterprise Risk Management (ERM) framework designed to identify, evaluate, monitor, and mitigate risks that may impact the Company's operations, financial performance, reputation, strategic objectives, and long-term value creation.

The Company's risk management approach is integrated into strategic planning, operational decision-making, financial management, and governance processes to ensure that emerging risks and business uncertainties are appropriately assessed and managed in a timely and disciplined manner. Management remains focused on strengthening operational agility, business continuity capability, internal controls, and organisational resilience in order to effectively navigate changing market conditions and external disruptions.

a) Economic and Financial Risks

The Company continues to operate within an environment characterised by inflationary pressures, currency fluctuations, rising interest rates, and elevated utility and energy costs. These factors may impact consumer spending patterns, operational profitability, financing costs, and overall business performance within the hospitality sector. In response, management continues to focus on disciplined financial management, cost optimisation initiatives, prudent capital allocation, and revenue optimisation strategies aimed at protecting margins and maintaining financial stability.

b) Operational Risks

Maintaining uninterrupted operations and consistent service quality remains critical within the hospitality industry. Key operational risks include service quality disruptions, property maintenance requirements, technology and cybersecurity threats, and supply chain interruptions. The Company continues to strengthen operational controls, infrastructure maintenance programs, technology safeguards, cybersecurity measures, and supplier relationship management in order to maintain operational efficiency, service reliability, and guest satisfaction standards.

c) Tourism and Market Risks

The tourism industry remains highly sensitive to changes in global travel patterns, geopolitical developments, airline connectivity disruptions, and fluctuations in international tourism demand. External events such as geopolitical conflicts, economic instability, public health concerns, and airline operational disruptions may influence traveller sentiment and tourism activity. Management continuously monitors market developments and adopts flexible commercial strategies, diversified market positioning, and proactive revenue management practices to strengthen business adaptability and market resilience.

d) Human Capital Risks

The hospitality industry continues to face increasing challenges relating to talent retention, workforce shortages, employee engagement, and skilled labour availability. Competition for experienced hospitality professionals remains high both locally and internationally. The Company therefore continues to prioritise employee engagement, training and development, leadership capability enhancement, workplace wellbeing, and performance-driven culture initiatives in order to strengthen employee retention and operational capability.

e) Environmental and Sustainability Risks

Environmental and sustainability-related risks continue to gain increasing importance within the global hospitality industry. Climate-related disruptions, resource scarcity, changing environmental regulations, and increasing stakeholder expectations regarding sustainable business practices may impact long-term operational sustainability. The Company remains committed to integrating environmental responsibility and sustainability considerations into its operational and strategic decision-making processes through resource efficiency initiatives, environmental management practices, and responsible tourism strategies.

Management continuously reviews the Company's risk exposure and mitigation frameworks in order to strengthen operational resilience, support business continuity, protect stakeholder interests, and ensure the long-term sustainability of the business amidst an increasingly uncertain and competitive operating environment.

OPERATIONAL REVIEW

"Delivering Operational Resilience Through Integrated Execution"

The financial year 2025/26 reflected Dolphin Hotels PLC's ability to sustain operational stability, commercial momentum, and service excellence within an increasingly dynamic and cost-intensive hospitality operating environment. Throughout the year, the Company continued to demonstrate resilience and adaptability amidst evolving market conditions, geopolitical uncertainty, inflationary pressures, changing traveller expectations, and heightened competition within the tourism and leisure sector.

Management maintained a disciplined and execution-driven operating model focused on balancing revenue growth, guest satisfaction, operational efficiency, and long-term asset sustainability while ensuring the business remained agile and responsive to rapidly changing industry conditions. The Company's operational strategy remained aligned with its broader objective of strengthening long-term competitiveness, enhancing customer experience, preserving operational integrity, and creating sustainable stakeholder value.

The operating environment during the year remained highly fluid due to fluctuations in international tourism demand, inflation-driven cost escalation, currency-related pressures, changing travel patterns, and broader geopolitical developments affecting global tourism flows and airline connectivity. In particular, geopolitical tensions within the Middle East created disruptions across international aviation networks, resulting in higher travel costs, scheduling adjustments, and increased uncertainty within certain tourism markets. These developments required the Company to remain commercially agile while continuously adapting sales, pricing, and operational strategies in response to changing market dynamics.

Against this backdrop, management adopted proactive operational and commercial initiatives aimed at strengthening occupancy performance, optimising revenue yield, enhancing pricing strategies, improving departmental productivity, and maintaining service delivery consistency across all operational areas. Greater emphasis continued to be placed on operational responsiveness, efficient resource utilisation, cost discipline, and customer engagement in order to preserve profitability while maintaining high hospitality standards.

The Company's integrated operational priorities during the year remained centered on:

» Revenue optimisation and yield enhancement
» Occupancy growth and market penetration
» Cost discipline and operational efficiency
» Guest experience enhancement and service personalisation
» Service quality consistency across all customer touchpoints
» Property maintenance and infrastructure preservation
» Digital operational support and process improvement
» Long-term asset sustainability and operational resilience

The Company recorded occupancy of 75% during the financial year under review compared to 73% achieved in the previous year, reflecting sustained demand recovery, improved market positioning, and the effectiveness of sales and distribution management initiatives. The improvement in occupancy performance was supported by stronger inbound tourism activity, enhanced customer engagement strategies, optimised channel management, and improved revenue management practices.

Total revenue increased by 43% compared to the previous financial year, primarily driven by stronger accommodation revenue performance arising from improved Average Room Rate (ARR) realisation and effective yield management strategies. The Company continued to focus on strengthening pricing discipline while enhancing guest value propositions and maintaining competitive positioning within the leisure hospitality segment.

Food and beverage operations also recorded positive growth during the year, with revenue increasing by 7% over the previous year. This growth was supported by improved outlet-level performance, stronger guest spending patterns, enhanced menu offerings, operational improvements, and increased customer engagement across restaurant and banquet operations.

SPA operations demonstrated particularly strong momentum during the year with revenue growth of 25%, reflecting the growing importance of wellness tourism and increasing demand for lifestyle-oriented leisure experiences among travellers. The performance of the SPA segment further strengthened the Company's diversified hospitality offering while supporting non-room revenue generation and overall guest experience enhancement.

Despite continued pressure arising from rising utility costs, inflationary operational expenditure, employee-related costs, food and beverage procurement expenses, and ongoing maintenance requirements, management remained focused on maintaining disciplined operational control and financial prudence across all departments. Continuous emphasis was placed on cost management, operational productivity, expenditure monitoring, and efficient resource allocation in order to protect operational sustainability and long-term business resilience.

At the same time, the Company continued to invest in property upkeep, infrastructure enhancement, operational systems, and service capability improvements to preserve asset quality, strengthen operational reliability, and maintain high guest satisfaction standards. Management recognises that maintaining product quality and service consistency remains essential to sustaining long-term competitiveness within an increasingly experience-driven hospitality market.

Operational execution throughout the year remained strongly aligned with the Company's broader strategic priorities of operational resilience, customer-centricity, sustainability integration, and long-term value creation. Through disciplined management practices, proactive commercial strategies, and continuous operational improvement initiatives, the Company remained focused on strengthening its market positioning while building a more agile, efficient, and future-ready hospitality business.

SUSTAINABILITY AND ENVIRONMENTAL STEWARDSHIP

"Integrating Responsible Hospitality into Long-Term Value Creation"

Sustainability remains a fundamental pillar of Dolphin Hotels PLC's long-term strategic direction and operational philosophy. The Company recognises that the future sustainability and competitiveness of the hospitality industry will increasingly depend on the ability of businesses to operate responsibly while balancing economic performance, environmental stewardship, social responsibility, and stakeholder expectations.

As the global tourism industry continues to evolve toward more environmentally conscious and socially responsible travel models, the Company remains committed to promoting sustainable tourism practices while minimising environmental impact and supporting long-term economic and community development. Management recognises that sustainability is no longer solely an environmental consideration, but a strategic business priority directly linked to operational resilience, brand positioning, stakeholder trust, and long-term value creation.

The Company therefore continues to integrate sustainability considerations into strategic planning, operational decision-making, resource allocation, procurement practices, infrastructure development, and day-to-day operational activities across the business. This integrated approach supports the Company's broader objective of building a resilient, responsible, and future-ready hospitality operation capable of adapting to evolving environmental, regulatory, and market expectations.

The Company's sustainability framework remains focused on several key priority areas including:

- Efficient energy management and energy conservation initiatives
- Water conservation and responsible consumption practices
- Waste reduction, recycling, and sustainable disposal programs
- Responsible resource utilisation and operational efficiency
- Environmental conservation and ecological sustainability initiatives
- Promotion of sustainable and responsible tourism practices
- Employee wellbeing, safety, engagement, and professional development
- Community support and local economic empowerment initiatives
- Ethical governance, transparency, and responsible corporate conduct

Given the energy-intensive nature of hospitality operations, the Company continues to place significant emphasis on improving resource efficiency and reducing operational environmental impact through disciplined energy management, responsible utility consumption, and operational efficiency enhancement initiatives. Efforts also continue toward minimising waste generation, improving recycling practices, and encouraging environmentally responsible operational behaviour across the organisation.

In parallel, the Company remains committed to supporting local communities and strengthening inclusive economic participation through employment generation, responsible sourcing practices, support for local suppliers, and community engagement initiatives. Management believes that sustainable tourism development must create long-term positive economic and social value for local communities while preserving the environmental and cultural integrity of tourism destinations.

The Company also recognises the importance of human capital sustainability in supporting long-term operational success. Accordingly, continued emphasis is placed on employee wellbeing, workplace safety, training and development, employee engagement, and fostering a positive and performance-oriented organisational culture that supports professional growth and long-term workforce stability.

Strong governance and ethical business conduct also remain integral components of the Company's sustainability approach. The Board and Management continue to promote transparency, accountability, responsible corporate governance, and ethical operational practices across all areas of the business in order to strengthen stakeholder confidence and support long-term organisational sustainability.

Management believes that sustainable business practices contribute significantly toward strengthening operational resilience, improving long-term profitability, enhancing brand reputation, supporting responsible tourism development, and building stronger stakeholder relationships. As global travellers increasingly prioritise environmentally responsible and socially conscious hospitality providers, sustainability is expected to remain a critical strategic focus area for the Company moving forward.

Through the continued integration of sustainability principles into business operations and long-term strategy, the Company remains committed to creating sustainable shared value for shareholders, employees, guests, business partners, local communities, and the broader environment while supporting the long-term sustainability of Sri Lanka's tourism industry.

HUMAN CAPITAL AND EMPLOYEE DEVELOPMENT

Strengthening Organisational Capability Through People Excellence

Employees remain at the core of Dolphin Hotels PLC's operational success, service delivery capability, and long-term business sustainability. As a hospitality-driven organisation, the Company recognises that the quality, professionalism, commitment, and engagement of its workforce play a critical role in delivering exceptional guest experiences, maintaining operational standards, and strengthening long-term competitiveness within the tourism and leisure sector.

The Company therefore continues to place significant emphasis on developing and sustaining a skilled, motivated, and customer-focused workforce capable of adapting to evolving industry expectations and operational challenges. Management recognises that human capital development is not only essential for operational effectiveness, but also a key driver of organisational resilience, service excellence, innovation, and sustainable value creation.

» Throughout the financial year, the Company continued to invest in employee engagement, professional development, workplace wellbeing, leadership capability enhancement, and talent retention initiatives aimed at strengthening operational capability and supporting long-term organisational growth. Particular focus was placed on maintaining a positive and performance-oriented workplace culture that encourages accountability, collaboration, continuous learning, and employee empowerment across all operational levels.

Key human capital priorities during the year included:

» Employee training and professional development

» Leadership capability enhancement

» Workplace safety and employee wellbeing initiatives

» Employee engagement and motivation programs

» Performance management and capability development systems

» Strengthening a service-oriented organisational culture

» Talent retention and workforce stability initiatives

» Building operational agility and service responsiveness

Recognising the evolving nature of the hospitality industry, the Company continued to prioritise employee training and development initiatives aimed at enhancing technical competencies, service delivery standards, operational efficiency, and customer engagement capabilities. Training programs were designed to strengthen both operational expertise and interpersonal skills while ensuring employees remain aligned with the Company's service excellence standards and organisational values.

The Company also continued to focus on developing leadership capability across operational and managerial functions in order to strengthen succession readiness, improve decision-making capability, and support long-term organisational sustainability. Management believes that investing in leadership development remains critical in building a resilient and adaptable workforce capable of navigating a rapidly changing business environment.

Employee wellbeing and workplace safety also remained key priorities throughout the year. The Company continued to maintain workplace safety standards, employee support mechanisms, and initiatives aimed at promoting a healthy, secure, and supportive working environment across all operational areas. Management remains committed to fostering a workplace culture that values employee wellbeing, diversity, professionalism, and mutual respect.

In addition, the Company continued to strengthen employee engagement through regular communication, performance evaluation processes, recognition initiatives, and opportunities for professional growth and career advancement. Management recognises that maintaining a motivated and engaged workforce is essential to sustaining operational consistency, service quality, and guest satisfaction within the hospitality industry.

The hospitality sector continues to face increasing challenges relating to talent retention and skilled workforce availability due to growing global competition for experienced hospitality professionals. In response, the Company remains focused on strengthening employee retention through competitive employment practices, career development opportunities, positive workplace culture, and long-term workforce engagement strategies.

Management remains committed to maintaining a supportive, inclusive, and performance-driven working environment that promotes employee wellbeing, motivation, operational excellence, and long-term professional growth. Through continuous investment in human capital development, the Company aims to strengthen organisational capability, enhance service delivery standards, and support sustainable long-term business performance within an increasingly competitive hospitality landscape.

STAKEHOLDER ENGAGEMENT AND VALUE CREATION

Building Sustainable Relationships Through Responsible Business Practices

Dolphin Hotels PLC recognises that sustainable long-term value creation is fundamentally dependent on maintaining strong, transparent, and mutually beneficial relationships with all stakeholder groups. As a hospitality-focused organisation operating within a highly interconnected tourism ecosystem, the Company understands that its long-term success is closely linked to the confidence, trust, and continued support of its shareholders, guests, employees, business partners, local communities, regulators, and other stakeholders.

The Company therefore remains committed to maintaining a balanced and responsible stakeholder engagement approach that supports operational sustainability, business resilience, and long-term organisational growth. Stakeholder considerations continue to be integrated into strategic planning, operational decision-making, governance processes, sustainability initiatives, and risk management frameworks in order to ensure that the Company creates sustainable shared value across all areas of its operations.

Management believes that effective stakeholder engagement contributes significantly toward strengthening corporate reputation, improving operational stability, supporting responsible tourism development, enhancing long-term competitiveness, and maintaining stakeholder confidence within an evolving hospitality and business environment.

Shareholders

The Company remains focused on delivering sustainable long-term returns to shareholders through disciplined financial management, operational excellence, prudent capital allocation, sound corporate governance, and strategic business growth initiatives. Management continues to prioritise long-term value creation through maintaining operational resilience, strengthening financial performance, preserving asset quality, and pursuing sustainable growth opportunities within the hospitality sector.

The Company also remains committed to maintaining transparency, accountability, and timely communication with shareholders while ensuring that governance practices support responsible decision-making and sustainable business performance.

Guests

Delivering exceptional guest experiences remains central to the Company's operational strategy and brand positioning. The Company continues to prioritise personalised hospitality, service quality enhancement, guest comfort, and customer engagement initiatives aimed at strengthening customer satisfaction, loyalty, and long-term brand reputation.

Management continues to focus on improving guest experience delivery through service consistency, operational responsiveness, digital engagement, wellness-oriented offerings, and continuous improvement initiatives designed to meet evolving customer expectations within an increasingly experience-driven hospitality market.

Employees

Employees remain the foundation of the Company's operational capability, service excellence, and long-term business sustainability. The Company recognises that maintaining a skilled, motivated, and customer-focused workforce is essential to delivering high hospitality standards and sustaining operational competitiveness.

Accordingly, continued emphasis is placed on employee engagement, professional development, workplace wellbeing, leadership capability enhancement, performance management, and talent retention initiatives aimed at strengthening organisational capability and fostering a positive, inclusive, and performance-driven workplace culture.

Suppliers and Business Partners

Strong and collaborative relationships with suppliers, travel agents, service providers, and other business partners remain critical in supporting operational continuity, service reliability, and overall hospitality standards. The Company continues to work closely with its business partners to ensure quality, operational efficiency, supply stability, and consistent service delivery across all operational areas.

Management remains committed to maintaining professional, ethical, and mutually beneficial partnerships that support long-term business sustainability and operational resilience.

Communities

The Company remains committed to contributing positively toward local communities and supporting broader socio-economic development through responsible business practices and sustainable tourism initiatives. The Company contributes toward local economic development through employment generation, responsible sourcing practices, support for local suppliers, and tourism-related economic activity within surrounding communities.

Management also recognises the importance of preserving the environmental, cultural, and social sustainability of tourism destinations while promoting responsible and inclusive tourism development.

Regulators and Government Authorities

The Company remains committed to maintaining full compliance with applicable legal, regulatory, and industry requirements while upholding high standards of corporate accountability, ethical business conduct, and transparency. Constructive engagement with regulators and government authorities remains important in supporting effective governance, responsible corporate conduct, tourism sector development, and long-term business sustainability.

The Board and Management continue to promote strong governance practices, compliance frameworks, internal controls, and responsible corporate stewardship in order to maintain stakeholder trust and support sustainable business operations.

Through disciplined stakeholder engagement, responsible management practices, and sustainable operational strategies, the Company remains focused on creating long-term shared value for all stakeholders while strengthening organisational resilience, corporate reputation, and long-term business sustainability within Sri Lanka's evolving hospitality and tourism industry.

OUTLOOK AND FUTURE DIRECTION

Positioning for Sustainable Long-Term Hospitality Growth

The outlook for the global and Sri Lankan hospitality industry remains fundamentally positive despite the continuation of economic uncertainty, geopolitical volatility, inflationary pressures, and evolving international travel dynamics. While the tourism sector continues to operate within a rapidly changing and increasingly competitive global environment, long-term industry fundamentals remain supportive of sustained growth, particularly across experiential leisure, wellness tourism, coastal travel, and digitally enabled hospitality segments.

Global travel demand is expected to continue benefiting from improving traveller confidence, increasing international mobility, strengthening airline connectivity, and the continued recovery of international tourism markets. In particular, changing consumer behaviour continues to support growth in experiential travel, personalised hospitality, wellness-oriented tourism, eco-tourism, and lifestyle-focused leisure experiences. At the same time, rapid advancements in digital technology, artificial intelligence, data-driven customer engagement, and smart hospitality systems are expected to further reshape the competitive landscape of the global hospitality industry.

Nevertheless, the operating environment is expected to remain complex and highly dynamic due to ongoing geopolitical developments, inflationary pressures, fluctuations in global travel demand, airline capacity adjustments, changing regulatory expectations, cybersecurity risks, and increasing sustainability-related requirements. The escalation of geopolitical tensions within certain regions, particularly the Middle East, has further highlighted the vulnerability of global tourism and aviation networks to external disruptions. Given Sri Lanka's reliance on international airline connectivity and transit hubs, hospitality operators will continue to require greater operational agility and adaptive commercial strategies in order to navigate evolving market conditions.

Within this broader context, Sri Lanka continues to possess significant long-term tourism growth potential supported by its strategic geographic location within South Asia, strong coastal tourism appeal, biodiversity, cultural heritage, wildlife attractions, wellness tourism opportunities, and established hospitality reputation. The country's unique tourism offering, combined with improving international visibility and strengthening regional connectivity, continues to position Sri Lanka as an attractive destination within the regional tourism market.

Integrated Reporting Framework

Sri Lanka's long-term tourism competitiveness continues to be supported by:

- Strategic geographic positioning within South Asia
- Strong coastal and leisure tourism appeal
- Rich biodiversity and cultural heritage
- Growing wellness and experiential tourism demand
- Established hospitality expertise and tourism infrastructure
- Increasing international destination visibility and connectivity

However, the future hospitality landscape is also expected to become increasingly competitive, technology-driven, and operationally demanding. Hospitality operators will continue facing pressure to strengthen operational agility, improve guest engagement, optimise costs, integrate sustainability initiatives, and leverage digital capabilities in order to maintain competitiveness and long-term profitability.

Management believes that future success within the hospitality industry will increasingly depend on the ability of organisations to effectively integrate:

- Operational excellence and service consistency
- Customer experience personalisation and guest engagement
- Digital transformation and technology-driven capabilities
- Revenue optimisation and commercial agility
- Sustainability leadership and responsible tourism practices
- Human capital development and organisational capability
- Financial resilience and disciplined capital management
- Long-term asset preservation and operational sustainability

Against this backdrop, Dolphin Hotels PLC remains focused on strengthening its long-term operational capability, enhancing business resilience, and reinforcing its strategic positioning within Sri Lanka's hospitality sector. The Company continues to adopt a disciplined and forward-looking approach aimed at balancing operational performance, customer experience enhancement, sustainability integration, financial stability, and long-term stakeholder value creation.

Going forward, the Company's strategic and operational priorities will remain focused on:

- Strengthening operational resilience and business continuity capability
- Enhancing guest experiences and service personalisation
- Improving revenue optimisation and pricing effectiveness
- Advancing sustainability and responsible tourism initiatives
- Enhancing operational efficiency and productivity
- Leveraging digital innovation and operational technology
- Maintaining disciplined financial management and cost control
- Strengthening stakeholder engagement and long-term value creation
- Preserving asset quality and long-term operational competitiveness

Management remains confident in the Company's ability to capitalise on emerging tourism opportunities while effectively managing operational risks and market uncertainties. Through disciplined execution, proactive operational management, strong governance practices, and continued investment in people, systems, and infrastructure, the Company remains well-positioned to navigate evolving market conditions and sustain long-term operational performance.

Supported by strong operational foundations, experienced leadership, committed employees, established market positioning, and a continued commitment to service excellence, Dolphin Hotels PLC remains focused on building a resilient, sustainable, and future-ready hospitality business capable of delivering sustainable long-term value for all stakeholders.

BASIS OF PREPARATION

This Integrated Report has been prepared in accordance with the guiding principles of Integrated Reporting and includes both financial and non-financial information relevant to stakeholders.

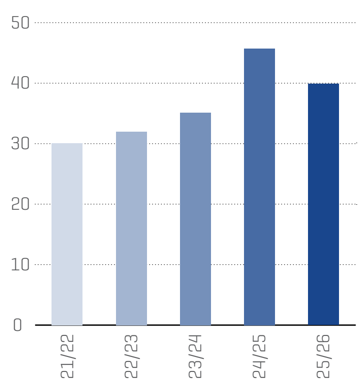
The Report reflects management's assessment of the Company's ability to create value over the short, medium, and long term through effective utilisation of its financial, manufactured, human, intellectual, social, and natural capital.

Financial Highlights

Year ended 31 March		2026	2025
Revenue	Rs.000's	1,699,367	1,446,897
Profit before Interest, Tax, Depreciation & Amortisation (EBITDA)	Rs.000's	129,566	252,339
Profit before Tax	Rs.000's	201,603	230,159
Profit after Tax	Rs.000's	221,118	167,434
Earnings per share	Rs.	3.50	2.65
Diluted Earnings per Share	Rs.	3.50	2.65
Cash Earnings per Share	Rs.	(1.82)	0.87
Interest Cover	Times	4.32	25.36
Return on Equity (ROE)	%	5	4
Return on Capital Employed (ROCE)	%	0.23	2.6
Statement of Financial Position Highlights and Ratios			
Total Assets	Rs.000's	6,253,215	6,010,230
Total Debt	Rs.000's	29,961	50,880
Total Shareholders' Funds	Rs.000's	4,660,367	4,433,831
No. of Shares in Issue		63,242,954	63,242,954
Net Assets per Share	Rs.	73.69	70.11
Debt / Total Equity	%	1	1
Debt / Total Assets	%	0.48	0.85
Market/ Shareholder Information			
Market Price of Share as at 31st March	Rs.	39.90	45.70
Market Capitalisation	Rs.000's	773,798	907,614
Price Earnings Ratio	Times	11.41	17.26
Dividends per Share	Rs.	Nil	Nil
Dividends Payout	%	Nil	Nil

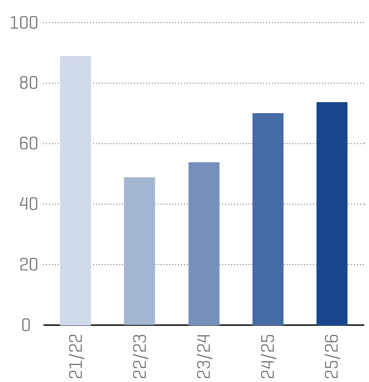
Market price Per Share

Rs.



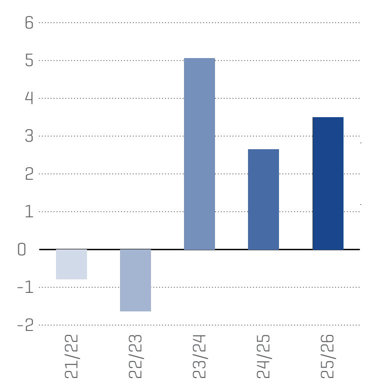
Net Assets Per Share

Rs.



Earning Per Share

Rs.



LEADERSHIP

Dear Stakeholder, on behalf of the Board, I am pleased to share with you the highlights of the Annual Report and Financial Statements of Dolphin Hotels PLC for the financial year ended 31 March 2026

The year 2025/26 marked another defining chapter for the global hospitality and tourism industry as the sector continued its transformation into a more resilient, technology-driven, and sustainability-focused landscape. Against a backdrop of evolving traveller expectations, economic uncertainty, geopolitical developments, and environmental challenges, the leisure industry demonstrated remarkable adaptability and growth.

Within this context, Dolphin Hotels PLC continued to strengthen its position as a trusted hospitality brand in Sri Lanka's coastal tourism sector. Located in the vibrant tourism hub of Negombo, the Company remained committed to delivering authentic guest experiences, operational excellence, sustainable business practices, and long-term stakeholder value.

Despite global economic volatility and regional market challenges, the Company remained focused on strategic growth, customer satisfaction, financial discipline, and sustainable tourism development. The resilience demonstrated by our employees, management team, business partners, and stakeholders enabled the Company to navigate the year successfully while positioning itself for future opportunities.

GLOBAL TOURISM INDUSTRY – 2026

The global tourism industry in 2026 continued its steady recovery and expansion following several years of post-pandemic restructuring. International tourism arrivals surpassed pre-pandemic benchmarks in many regions, driven by rising consumer confidence, increased airline connectivity, digital travel accessibility, and growing demand for experiential travel.

Travel trends in 2026 increasingly reflected changing consumer behaviour. Modern travellers sought personalised experiences, wellness tourism, eco-tourism, cultural immersion, and digitally enabled hospitality services. Sustainable travel became a central consideration among tourists, with travellers demonstrating greater awareness of environmental responsibility and ethical tourism practices.

The hospitality industry also witnessed significant advancements in technology integration. Artificial intelligence, contactless guest services, smart hotel systems, data analytics, and digital booking ecosystems became increasingly important in enhancing operational efficiency and customer engagement.

However, the global tourism landscape continued to face several challenges, including:

- Inflationary pressures affecting consumer spending patterns
- Rising operational and energy costs
- Geopolitical tensions and global economic uncertainty
- Climate-related disruptions impacting travel destinations
- Workforce shortages within the hospitality industry

Despite these challenges, Asia-Pacific tourism markets demonstrated strong recovery momentum, supported by regional connectivity, growing middle-income travellers, and renewed international tourism demand. Leisure-focused destinations, beach resorts, and wellness-oriented travel experiences continued to perform strongly within the global hospitality sector.

The industry outlook remains positive, supported by increasing travel demand, digital transformation, sustainability initiatives, and investments in tourism infrastructure globally.

SRI LANKAN TOURISM INDUSTRY – 2026

Sri Lanka's tourism industry continued its gradual resurgence during 2026, supported by improving domestic economic conditions, enhanced destination marketing initiatives, increased airline operations, and renewed confidence among international travellers. The country continued to strengthen its reputation as one of the most attractive travel destinations in South Asia, driven by its unique combination of natural beauty, biodiversity, coastal tourism attractions, cultural heritage, historical landmarks, wildlife experiences, eco-tourism opportunities, and growing wellness and leisure tourism offerings.

Tourist arrivals recorded steady improvement during the year, particularly from key source markets including India, the United Kingdom, Germany, Russia, and China. The Government's continued emphasis on tourism promotion, infrastructure development, and foreign investment facilitation contributed positively toward the sector's recovery momentum. In addition, increased global visibility through digital tourism campaigns, international travel partnerships, and destination branding initiatives further strengthened Sri Lanka's positioning as a preferred leisure and travel destination within the region.

However, the tourism industry also faced external uncertainties during the year, including the geopolitical tensions and conflict situation in the Middle East. The escalation of regional instability created concerns across global travel markets, impacting airline operations, fuel prices, traveller sentiment, and international travel patterns. These developments indirectly affected Sri Lanka's tourism sector through increased travel costs, operational uncertainties within the aviation sector, and cautious booking behaviour among certain international travellers. Given the importance of Middle Eastern air routes and transit connectivity to Sri Lanka's tourism industry, the regional conflict also created additional pressure on travel and tourism-related businesses operating within highly competitive international markets.

At the same time, the local tourism sector continued to operate within a challenging business environment characterised by currency fluctuations, inflationary cost pressures, elevated utility and energy expenses, talent retention challenges, and intense global competition among tourism destinations. Rising operational costs continued to place pressure on hotel profitability, requiring operators to adopt more disciplined and strategic approaches to cost management while maintaining service quality and guest satisfaction.

Nevertheless, Sri Lanka's hospitality industry continued to demonstrate resilience and adaptability amidst these challenges. Hotels increasingly focused on improving operational efficiency, service innovation, sustainability practices, and differentiated guest experiences in order to remain competitive within the evolving tourism landscape. Greater emphasis was also placed on digital engagement, personalised hospitality, and long-term customer relationship management to strengthen market positioning and enhance visitor experiences.

As a coastal destination strategically located near the country's main international gateway, Negombo continued to benefit from both international leisure travel and transit tourism demand. Its accessibility, coastal appeal, and proximity to the airport supported ongoing business opportunities for hospitality operators within the region, contributing positively to tourism-related economic activity.

OPERATING ENVIRONMENT IN THE LEISURE INDUSTRY

The leisure industry during the financial year operated in an increasingly dynamic and competitive environment. Changing traveller expectations, technological advancement, sustainability requirements, and economic pressures reshaped operational priorities across the hospitality sector.

Hotels and leisure operators were required to balance service excellence with operational efficiency while managing increasing costs associated with:

- Utilities and energy consumption
- Food and beverage procurement
- Employee remuneration and retention
- Technology investments
- Maintenance and infrastructure improvements

Rising Operational Costs and Efficiency Pressures

The hospitality industry continued to operate in a challenging environment where maintaining service excellence had to be carefully balanced with operational efficiency and cost management. Hotels and leisure operators faced increasing pressure from rising utility and energy costs, particularly due to the high consumption requirements associated with accommodation facilities, food and beverage operations, and guest services. In addition, inflationary trends and supply chain disruptions contributed to higher food and beverage procurement costs, impacting overall operating margins.

At the same time, the industry experienced growing pressure in relation to employee remuneration and retention, as businesses sought to attract and retain skilled talent within a competitive labour market. Technology investments also became increasingly essential, with operators investing in digital platforms, reservation systems, customer engagement tools, and operational automation to improve efficiency and enhance guest experiences. Furthermore, continuous maintenance requirements and infrastructure improvements remained necessary to ensure properties met evolving customer expectations, safety standards, and sustainability requirements.

Changing Customer Expectations

Customer expectations within the hospitality sector continued to evolve significantly, driven by changing lifestyles, technological advancements, and greater awareness of health and environmental sustainability. Guests increasingly sought personalised and memorable experiences tailored to their individual preferences, while also expecting seamless digital accessibility throughout their customer journey, including online reservations, digital payments, and real-time communication.

There was also a growing demand for wellness-oriented offerings, with travellers placing greater emphasis on health, relaxation, and lifestyle experiences during their stays. In addition, sustainable hospitality practices became an increasingly important consideration for guests, who showed greater preference for environmentally responsible businesses that demonstrated commitment to energy efficiency, waste reduction, and community engagement. Enhanced safety and hygiene standards also remained a priority, as customers continued to value clean, secure, and well-maintained environments.

Strategic Industry Responses

In response to these evolving market dynamics, hospitality businesses increasingly focused on strengthening operational resilience and improving competitiveness through strategic initiatives. Digital transformation became a key priority across the industry, with investments aimed at improving operational efficiency, enhancing guest engagement, and streamlining service delivery. Revenue optimisation strategies were also implemented to manage fluctuating demand patterns and improve profitability through dynamic pricing, market segmentation, and cost control measures.

At the same time, greater emphasis was placed on customer relationship management initiatives to build guest loyalty and improve retention through personalised services and targeted engagement strategies. Hotels and leisure operators also focused on brand differentiation by enhancing unique value propositions and delivering distinctive customer experiences. In parallel, sustainable operational practices continued to gain importance as businesses sought to improve long-term environmental and financial sustainability while meeting growing stakeholder expectations.

Dolphin Hotels PLC's Response to the Operating Environment

Within this operating environment, Dolphin Hotels PLC remained committed to maintaining high standards of service excellence while continuously adapting to changing market conditions. The Company focused on strengthening operational resilience, enhancing guest satisfaction, managing costs effectively, and supporting long-term business sustainability amid ongoing industry challenges.

The Company also continued to leverage its strategic location, experienced workforce, and established brand reputation to strengthen its competitiveness within the local hospitality sector. Through a combination of operational discipline, customer-centric initiatives, and continuous improvement efforts, Dolphin

Hotels PLC remained focused on delivering value to guests while positioning the business for sustainable long-term growth.

SUSTAINABILITY

Sustainability remains a core pillar of the Company's long-term strategy and operational philosophy. As environmental and social considerations continue to gain prominence globally, the hospitality industry carries a significant responsibility in promoting responsible tourism and sustainable business practices.

Dolphin Hotels PLC remains committed to integrating sustainability principles across its operations through initiatives focused on environmental stewardship, employee well-being, community engagement, and responsible governance.

The Company's sustainability priorities include:

- Efficient energy and water management
- Waste reduction and responsible disposal practices
- Reduction of environmental footprint
- Promotion of sustainable tourism practices
- Employee training and development
- Supporting local communities and suppliers
- Maintaining ethical business standards and corporate governance

The Company recognises that sustainability is not solely an environmental responsibility but also an important driver of long-term value creation. Responsible business practices contribute toward operational resilience, enhanced brand reputation, improved stakeholder relationships, and sustainable profitability.

As global tourism increasingly shifts toward environmentally conscious travel, sustainability initiatives are expected to remain a strategic priority for the Company moving forward.

FINANCIAL REVIEW

During the financial year ended 2025/26, Dolphin Hotels PLC demonstrated resilience and continued growth amidst a dynamic operating environment within the hospitality sector. The Company recorded an occupancy level of 75% during the year under review, compared to 73% achieved in the previous financial year, reflecting sustained demand and the continued strength of the Company's market positioning.

The Company reported a 43% growth in total revenue compared to the previous year, supported by improved operational performance across key business segments. A notable increase in the Average Room Rate (ARR) during the year contributed significantly to higher accommodation revenue, driven by improved pricing strategies, enhanced guest experiences, and steady demand across the leisure segment.

Food and beverage revenue also recorded positive growth, increasing by 7% over the previous year, reflecting higher guest spending and improved business volumes across restaurant and banquet operations. In addition, SPA revenue registered a significant increase of 25% compared to the previous year, demonstrating the growing demand for wellness-related services and the Company's continued focus on enhancing its lifestyle and leisure offerings.

During the year under review, the Company incurred a substantial level of operational expenditure in order to maintain the expected standards of the hotel and ensure a superior guest experience. Significant investments were also made towards property operations, maintenance, and infrastructure improvements aimed at preserving service quality and sustaining long-term asset value. As a result of these strategic investments and increased operational costs, Earnings Before Interest and Tax (EBIT) declined by 130 Mn compared to the previous year. However, the Company remains confident that these investments will generate long-term operational and financial benefits while strengthening the competitiveness and positioning of the property in the future.

Despite the challenging cost environment, the Company reported a Profit Before Tax (PBT) of 201 Mn for the financial year 2025/26, reflecting the resilience of the business and management's continued focus on operational stability, service excellence, and long-term value creation.

VALUE CREATION FOR STAKEHOLDERS

Creating Sustainable Stakeholder Value

The long-term sustainability and success of Dolphin Hotels PLC depend on its ability to create meaningful and sustainable value for all stakeholders, including shareholders, employees, guests, business partners, local communities, and regulatory authorities. The Company remains committed to maintaining a balanced approach to stakeholder engagement while integrating responsible business practices into its operations and strategic decision-making processes.

Shareholders

The Company remains focused on delivering sustainable long-term returns to shareholders through prudent financial management, sound corporate governance, operational excellence, and strategic investment initiatives. By maintaining financial discipline and continuously strengthening operational performance, the Company seeks to enhance shareholder confidence while supporting long-term business growth and value creation.

Employees

Employees continue to serve as the foundation of the Company's success and operational strength. Recognising the importance of a motivated and skilled workforce, the Company maintained a strong focus on employee engagement, training and development, workplace safety, and talent retention initiatives. Efforts were also directed toward fostering a positive and performance-driven organisational culture that encourages collaboration, professional growth, and continuous improvement, while ensuring employee wellbeing and job satisfaction.

Guests

The Company continued to prioritise the delivery of exceptional guest experiences through high standards of service quality, personalised hospitality, and continuous service enhancement initiatives. By focusing on customer satisfaction, comfort, and responsiveness to evolving guest preferences, the Company aimed to strengthen customer loyalty and reinforce its reputation within the hospitality sector.

Business Partners and Suppliers

Strong and collaborative relationships with suppliers, travel agents, and other service providers remained essential to supporting operational continuity and maintaining service excellence. The Company continued to work closely with its business partners to ensure reliability, efficiency, and consistent quality across its operations, while fostering mutually beneficial long-term partnerships built on trust and professionalism.

Community and Environment

The Company remained committed to contributing positively to local communities and the environment through responsible and sustainable business practices. This included supporting local economic development through employment generation, responsible sourcing initiatives, and sustainable tourism practices. In addition, the Company continued to promote environmental conservation efforts by encouraging efficient resource utilisation, reducing environmental impact, and supporting initiatives that contribute to long-term ecological sustainability.

Commitment to Long-Term Sustainability

Through effective stakeholder engagement, responsible corporate conduct, and sustainable operational practices, the Company continues to focus on creating shared value for all stakeholders over the long term. By balancing economic performance with social and environmental responsibilities, the Company aims to strengthen its resilience, maintain stakeholder trust, and support sustainable business growth in the years ahead.

WAY BEYOND – FUTURE OUTLOOK OF THE GLOBAL AND LOCAL TOURISM LANDSCAPE

The future outlook for both global and Sri Lankan tourism remains positive despite ongoing economic and geopolitical uncertainties. The tourism industry is expected to continue evolving toward a more sustainable, digitally integrated, and experience-driven model.

Key industry trends expected to shape the future include:

- Growth in sustainable and eco-tourism
- Expansion of wellness and experiential travel
- Increased use of digital and AI-driven hospitality solutions
- Growth in regional tourism markets
- Greater emphasis on personalised guest experiences
- Increased investment in tourism infrastructure and destination branding

Sri Lanka continues to possess significant long-term tourism potential due to its strategic geographic location, natural attractions, cultural diversity, and hospitality heritage. As economic stability improves and tourism promotion efforts continue, the country remains well-positioned to strengthen its competitiveness within the regional tourism market.

Looking ahead, Dolphin Hotels PLC remains focused on strengthening its operational resilience while continuing to adapt to evolving market conditions within the hospitality and tourism sector. The Company aims to further enhance operational efficiency and agility in order to effectively respond to industry challenges, changing customer expectations, and emerging business opportunities.

The Company also remains committed to enhancing guest experiences through continuous improvements in service quality, personalised hospitality offerings, and customer engagement initiatives. At the same time, emphasis will continue to be placed on advancing sustainability initiatives across operations, with a focus on responsible resource management, environmental stewardship, and sustainable tourism practices that support long-term business sustainability.

In addition, Dolphin Hotels PLC will continue pursuing strategies aimed at strengthening financial performance through prudent cost management, revenue optimisation, and operational excellence. The Company also recognises the growing importance of digital transformation and intends to further leverage digital innovation to improve operational processes, enhance guest convenience, and strengthen overall competitiveness within the hospitality sector.

The Board of Directors and Management remain confident in the Company’s ability to successfully navigate future challenges while capitalising on emerging opportunities within the evolving tourism landscape. Through its strategic focus, experienced workforce, and commitment to service excellence, the Company remains well-positioned to create sustainable long-term value for all stakeholders.

APPRECIATION

On behalf of the Board of Directors, I wish to extend my sincere appreciation to our shareholders, guests, business partners, regulatory authorities, and all other stakeholders for their continued trust and support.

I would also like to express my gratitude to the management team and employees of Dolphin Hotels PLC for their dedication, resilience, and commitment throughout the year. Their collective efforts continue to strengthen the Company’s position and contribute toward its long-term success.

Together, we remain committed to building a sustainable, resilient, and future-ready hospitality business that creates meaningful value for all stakeholders.

W. D. K. JAYAWARDENA
Chairman
Dolphin Hotels PLC

13 August 2026

CEO's Review

OPERATIONAL PERFORMANCE OVERVIEW

The financial year 2025/26 was a year of disciplined execution and steady operational progress for Dolphin Hotels PLC, achieved against a backdrop of cost inflation, shifting travel patterns, and continued global uncertainty in the tourism industry. Management maintained a strong focus on driving revenue performance, protecting margins, and ensuring consistent delivery of guest service standards across all operational areas.

The Company recorded improved financial performance during the year, supported by stronger demand conditions, effective revenue management strategies, and tighter operational control. The core operational focus remained centred on optimising occupancy, improving rate realisation, and strengthening overall guest experience delivery.

REVENUE AND BUSINESS SEGMENT PERFORMANCE

The Company achieved occupancy of 75%, compared to 73% in the previous year, reflecting improved demand recovery and effective conversion of market opportunities.

Total revenue increased by 43% year-on-year, driven primarily by stronger room revenue performance supported by improved Average Room Rate (ARR). This outcome reflects the effectiveness of yield management initiatives and the ability of the business to capitalise on strengthening market demand.

Food and beverage operations delivered an 7% increase in revenue, supported by improved guest spending patterns and stronger outlet-level performance. SPA operations recorded a significant 25% growth, highlighting increasing demand for wellness-driven experiences and the successful positioning of the property within the leisure segment.

Overall, segment performance reflects a more balanced and diversified revenue base, supported by improved operational execution and stronger guest engagement.

COST MANAGEMENT AND OPERATIONAL PRESSURES

The year was characterised by sustained cost pressure across key operating areas, including utilities, energy, food and beverage procurement, workforce-related costs, technology investments, and ongoing property maintenance requirements.

In response, management implemented tighter cost controls, improved expenditure monitoring, and strengthened operational efficiency initiatives across all departments. However, continued investment in property upkeep and service quality remained essential to sustain brand positioning and guest satisfaction levels.

These necessary investments, particularly in property operations and maintenance, resulted in a decline in Earnings Before Interest and Tax (EBIT) by 130 Mn compared to the previous year. This was a deliberate operational decision to safeguard asset quality and ensure long-term revenue generation capability. Despite elevated cost pressures, the Company delivered a Profit Before Tax (PBT) of 201 Mn for the financial year 2025/26.

This performance demonstrates the resilience of the operating model, supported by revenue growth, disciplined financial management, and effective cost containment at operational level. The result also reflects the Company's ability to sustain profitability while continuing to reinvest in service quality and operational infrastructure.

OPERATIONAL ENVIRONMENT AND MARKET DYNAMICS

The global tourism operating environment remained highly fluid during the year, shaped by evolving traveller preferences, persistent inflationary pressures, and ongoing geopolitical developments across key international regions.

A significant external factor impacting the industry was the escalation of geopolitical tensions in the Middle East. This development had a wide-ranging impact on global aviation networks, particularly due to its influence on major international flight corridors, increased airspace restrictions, and periodic rerouting of long-haul flights. As a result, airlines experienced higher operating costs driven by extended flight durations, increased fuel consumption, and schedule inefficiencies, all of which were partially passed through to end consumers in the form of higher airfares.

For Sri Lanka's tourism industry, the impact was more pronounced given its structural dependence on Middle Eastern hubs such as Dubai and Doha for international connectivity. Disruptions in these transit networks led to reduced flight frequency flexibility, increased connection times, and elevated overall travel costs for long-haul travellers. This, in turn, affected booking lead times and contributed to a more cautious and price-sensitive approach among international tourists, particularly in key European and Asian source markets.

The uncertainty created by the geopolitical situation also influenced airline capacity planning and route optimisation strategies, resulting in periodic fluctuations in seat availability to Sri Lanka. This had a direct bearing on inbound tourism flow consistency, especially during peak travel periods where capacity constraints became more evident.

As a consequence, the Sri Lankan tourism sector experienced short-term pressure on arrival momentum, with certain market segments adopting a wait-and-see approach to travel planning due to increased fare volatility and broader geopolitical uncertainty. This environment required tourism operators, including the Company, to adopt more agile market response strategies, with increased focus on diversifying source markets, strengthening direct booking channels, and reinforcing engagement with regional and short-haul travellers to mitigate reliance on Middle East–dependent traffic flows.

Despite these external headwinds, underlying demand fundamentals for Sri Lanka remained resilient. Strong interest continued to be observed in experiential travel segments, particularly wellness tourism, cultural exploration, and coastal leisure offerings. These segments provided important support to the sector's recovery trajectory and helped sustain occupancy levels despite external volatility.

Overall, while geopolitical disruptions in the Middle East created short-term operational challenges for the industry, they also reinforced the importance of market diversification, route resilience, and adaptive commercial strategies within Sri Lanka's tourism sector.

EXECUTION FOCUS AND MANAGEMENT PRIORITIES

Throughout the year, management maintained a strong execution-led operating model with an unwavering focus on revenue optimisation, disciplined cost management, and consistent service excellence. Operational decision-making was closely aligned with performance outcomes, ensuring that commercial priorities translated effectively into day-to-day execution across all departments.

Key operational priorities were implemented through a structured and data-driven approach to revenue management, with particular emphasis on strengthening yield performance through dynamic rate adjustments, demand forecasting, and market segmentation strategies. Occupancy performance was actively managed through targeted sales initiatives, strengthened distribution channel performance, and improved conversion efficiency across both direct and third-party booking platforms. In parallel, outlet-level productivity was enhanced through tighter operational supervision, improved cost-to-serve analysis, and better alignment of resources to demand patterns across food and beverage and leisure operations.

On the cost side, strict control frameworks were reinforced across all operational units, supported by continuous monitoring of departmental expenditure, tighter procurement oversight, and improved resource optimisation. These measures were critical in mitigating inflationary pressures and protecting operating margins in a cost-intensive environment. At the same time, management ensured that cost efficiency initiatives did not compromise core service delivery standards or guest experience quality.

Significant emphasis was also placed on strengthening guest service delivery standards across the entire customer journey, from pre-arrival engagement through to post-stay feedback management.

Operational teams were directed to improve responsiveness, reduce service lead times, and enhance consistency across all guest touchpoints. This included targeted training, improved internal coordination between departments, and stronger accountability mechanisms to ensure service standards were consistently met and, where possible, exceeded.

In parallel, continued reinvestment in property maintenance, refurbishment, and operational infrastructure was prioritised to ensure the long-term competitiveness of the asset. Preventive maintenance practices were strengthened, and critical upgrades were undertaken to support both operational efficiency and guest satisfaction. These investments were viewed as essential to sustaining the property's positioning within a competitive hospitality market and to safeguarding long-term revenue-generating capability.

Collectively, these focused execution measures ensured that the business maintained operational stability, financial discipline, and consistent performance delivery throughout the year, despite an externally challenging and cost-pressured operating environment.

OUTLOOK AND OPERATIONAL DIRECTION

The year under review demonstrated the Company's ability to operate effectively in a complex and challenging environment, while simultaneously delivering revenue growth, sustaining profitability, and continuing targeted investments in strengthening long-term operational capability. Despite external headwinds, the business maintained a clear focus on execution discipline, operational efficiency, and service quality, which enabled consistent performance across key financial and operational indicators.

Management continues to demonstrate resilience in navigating an operating landscape characterised by cost inflation, geopolitical uncertainty, and evolving travel dynamics. The Company has put in place responsive operational mechanisms that allow it to adapt quickly to market fluctuations, particularly in relation to demand shifts, pricing pressures, and changes in international travel flows. This adaptability has been critical in sustaining performance stability throughout the year.

Looking ahead, management remains confident in the Company's ability to effectively manage ongoing external uncertainties, including geopolitical developments affecting global travel routes and continued pressure from input cost inflation. At the same time, the Company is well positioned to benefit from Sri Lanka's ongoing tourism recovery, supported by improving airline connectivity, strengthening inbound demand, and growing interest in experiential and leisure travel segments.

A key strength underpinning this outlook is the Company's disciplined execution framework, supported by a committed and experienced workforce. This has enabled consistent delivery of operational priorities, efficient resource utilisation, and sustained focus on guest satisfaction. The combination of operational discipline, workforce capability, and strategic responsiveness continues to form the foundation of the Company's performance.

Accordingly, Dolphin Hotels PLC remains well positioned to sustain operational momentum, strengthen financial performance, and deliver long-term value creation for all stakeholders through continued focus on efficiency, service excellence, and strategic growth initiatives.

APPRECIATION

I extend my heartfelt gratitude to the Chairman and Board of Directors of Dolphin Hotels PLC, as well as our valued shareholders, for their continued trust and confidence in my leadership. The milestones we have reached over the past year are a testament to the unwavering support and collaboration of all our stakeholders. I would also like to express my sincere appreciation to our loyal guests, dedicated business partners, and the corporate management team for their ongoing commitment. Most importantly, I commend our exceptional staff and their families for their resilience, dedication, and tireless efforts in delivering outstanding service, even during the most challenging times. Their contribution remains the cornerstone of our success.

R.L.E.C Wijeratne
Chief Executive Officer
Browns Hotels and Resorts Limited

13 August 2026

Board of Directors

W. D. K. JAYAWARDENA
Chairman

Considering his wealth of experience in local and international fields of Banking and Investment Banking, Mr. Kapila Jayawardena has earned a solid reputation as a captain of industry and a dynamic leader who relishes challenges. He joined LOLC Holdings PLC in the year 2007 as the Group Managing Director/CEO and has since steered the Group from strength to strength, while implementing its ambitious expansion in 25 countries in Asia and Africa.

Prior to coming on-board the LOLC Group, Mr. Kapila Jayawardena served as Country Head and CEO (Sri Lanka and Maldives) of Citibank NA from 1998 to 2007, along with being tasked with short assignments for Citibank in New York and Manila (Philippines).

In 2024, Mr. Jayawardena, was honoured with the esteemed CITI Distinguished Alumni Award for Leadership by CITI Bank in New York, recognising his exceptional leadership and transformative achievements at LOLC Holdings. He has also served as Chairman of the Sri Lanka Banks' Association (SLBA) in 2003/04; President of the American Chamber of Commerce in Sri Lanka in 2006/07; Member of the Financial Sector Reforms Committee. (FSRC); Member of the National Council of Economic Development (NCED) and as Board Member of the United States - Sri Lanka Fulbright Commission.

He holds an MBA in Financial Management and is a fellow member of the Institute of Bankers and an Associate Member of the Institute of Cost and Executive Accountants, London, UK.

D. S. K. AMARASEKERA
Non-Executive Director

Appointed to the Board on 11th February 2021, Mr. Kamantha Amarasekera is a member of the Institute of Chartered Accountants of Sri Lanka and is an Attorney- at-Law of the Supreme Court of Sri Lanka. He also holds a degree in Business Administration from the University of Sri Jayewardenepura and began his career in the year 1998. Mr. Amarasekera is an eminent Tax Consultant and the Senior Tax and Legal Partner of M/s. Amarasekera & Company, a leading tax consultancy firm in the country. In addition to his directorship in this company, his other key appointments are: Non Executive Director -, Palm Garden Hotels PLC, Serendib Hotels PLC, Dolphin Hotels PLC, Hotel Sigiriya PLC, Udapussellawa Plantations PLC, Three Tips Ella (Private) Limited, Eden Hotel Lanka PLC and several other subsidiaries of Browns Investments Group.

DR. J. M. SWAMINATHAN
Independent Director

Appointed to the Board on 11th February 2021, Dr. J. M. Swaminathan is an Attorney-at-Law with over 60 years in practice and has been appointed a Senior Instructing Attorney- at-Law by His Excellency the President. He was the former Senior Partner of Messrs. Julius & Creasy. He was a Member of the Office for Reparations Sri Lanka. He has served as a Member of the Law Commission of Sri Lanka and Member of the Council of Legal Education and the Council of the University of Colombo. He was a Member of the Company Law Advisory Commission and The Intellectual Property Law Advisory Commission and a Member of the Board of Management of the Superior Court Complex. He is the member of the Board of Studies of the Council of Legal Education and was also a Consultant at the Institute of Advanced Legal Studies of the Council of Legal Education. He also serves on the Boards of several public and private companies.

STEFAN FURKHAN
Independent Director

Appointed to the Board on 8th April 2024, Mr. Stefan Furkhan is a seasoned business leader and hospitality professional with over 35 years of commercial experience in Sri Lanka and globally, spanning Europe, South Asia, Australia, and the South Pacific. With a proven track record of managing diverse business portfolios and overseeing multiple industries, Mr. Furkhan is recognised for his strategic leadership, operational excellence, and expertise in driving sustainable growth and innovation.

He holds a Graduate Diploma from the Chartered Institute of Marketing, UK (CIM), and is a Fellow of both the Chartered Institute of Marketing and the Institute of Hospitality, UK. Additionally, he is an alumnus of the Hotel School The Hague and a member of the Australian Institute of Management. Throughout his career, Mr. Furkhan has played a pivotal role in launching greenfield hotel projects, leading successful rebranding initiatives, and introducing groundbreaking concepts in the hospitality and tourism sectors.

Mr. Furkhan's extensive experience includes serving as the CEO of a diversified group of companies with operations spanning multiple industries. Within this group, he oversaw three publicly listed companies, where he also held the role of CEO.

Currently, Mr. Furkhan serves as Chairman and CEO of the Confifi Group of Companies. The Confifi Group is an investment entity focused on strategic asset ownership, private equity ventures, consulting, and business promotion, with a portfolio spanning real estate, market-leading equities, fixed-income securities, and government treasuries. He also holds board positions at Eden Hotel Lanka PLC, and Hotel Sigiriya PLC. Additionally, he is a Promoter, Shareholder, and Director of the Radisson Hotel Colombo, Radisson Hotel Kandy, and Radisson Blu Resort Galle.

Mr. Furkhan has extensive expertise in asset management, hotel development and acquisitions, corporate restructuring, and operational turnaround strategies.

As a seasoned C-suite executive with an international career, Mr. Furkhan continues to set benchmarks for excellence while contributing to the advancement of the tourism and hospitality industries in Sri Lanka and beyond. His leadership and strategic acumen remain instrumental in shaping the future of the organisations he works with.

R.L.E.C WIJERATNE

Non-Executive Director

Appointed to the Board on 14th June 2024, Eksath Wijeratne, the dynamic Chief Executive Officer of Browns Hotels & Resorts under the LOLC group, which is one of the most diversified conglomerates in Sri Lanka, is a versatile hotelier with an impressive track record in the industry. He also serves as a Director of Excel Restaurants (Pvt) Ltd, Sun & Fun Resorts Ltd and Palm Garden Hotels PLC. With over three decades of experience, his leadership prowess and passion for nurturing talent position him as a driving force behind the continued success of the organisation.

Currently serving as the Vice President of Resort Hotels at the Tourist Hotel Association of Sri Lanka (THASL), Eksath's influence extends beyond his role at Browns Hotels & Resorts. His past presidency at the Sri Lanka Hospitality Graduates Association underscores his commitment to shaping the professional development of emerging hoteliers. Highlighting his extensive dedication to advancing the tourism sector, he has played a pivotal role as a former board member at the Sri Lanka Institute of Tourism and Hotel Management and currently serves as a board member at the Sri Lanka Tourism Promotion Bureau.

Under Eksath's transformative leadership, Browns Hotels & Resorts has flourished, boasting a portfolio of properties strategically located in prime destinations across Sri Lanka, including Bentota, Dickwella, Pasikudah, Sigiriya, and Negombo. Eksath's innovative thinking has been instrumental in shaping the unique character of Browns Hotels & Resorts. His visionary approach has not only ensured the brand's competitiveness but has also positioned it as a trendsetter in the industry. His commitment to excellence, coupled with a keen eye for market trends, is reflected in the organisation's ability to offer idyllic spaces for travellers seeking to discover Sri Lanka in style.

T DHARMARAJAH

Independent Director

Mr Dharmarajah is the Managing Partner of M/S Amerasekera & Company and presently serves as a Director of Raigam Wayamba Salterns PLC, Raigam Southern Salterns (Private) Limited, Hapugastenne Plantations PLC, Udapussellawa Plantations PLC, Renuka City Hotels PLC, Management Applications (Pvt) Limited, Lanka Industrial Estates Ltd, DHS Medical Group (Private) Limited, Dolphin Hotels PLC, Palm Garden Hotels PLC, Hotel Sigiriya PLC, Eden Hotel Lanka PLC and Serendib Hotels PLC. He is also the Vice Chairman of Vocational Training Authority presently.

He is a Member of the Council of University of the Visual and Performing Arts, Postgraduate Institute of Indigenous Medicine, and a member of the Standing Committee on Management Studies of the University Grant Commission and The Sri Lanka Institute of Advanced Technological Education (SLIATE). Dharmarajah is a member of a committee appointed by Ministry of Education for five-year institutional review of Degree Awarding Non-State Higher Education Institutes. He was a director of DFCC Bank PLC, DFCC Vardhana Bank, TKS Finance Limited & TKS Securities Limited. He also was a Member of the Board of Management Postgraduate Institute of Management and Curriculum Development Committee of the National Institute of Education, a Member of the Council of the Institute of Chartered Accountants of Sri Lanka and University of Sri Jayewardenepura. He is also a former president of the Association of Accounting Technicians of Sri Lanka.

He holds a BSc. Management (Sp) Degree of the University of Sri Jayewardenepura and a Fellow Member of the Institute of Chartered Accountants of Sri Lanka, Association of Accounting Technicians of Sri Lanka, and Institute of Public Finance & Development Accountancy. He is a resource person in Capacity Development Training Program on Sri Lanka Public Sector Accounting Standards funded by USAID Program. He is an author of number of books in Accounting Standards for the students who are reading for G.C.E. (Advanced Level) and Professional Accounting Examination. Dharmarajah is an all-Island Justice of Peace.

Mr Dharmarajah was appointed to the Board of the Company on 1st October 2024.

Operational Review

OVERVIEW

The Board of Directors of Dolphin Hotels PLC is pleased to present the Management Discussion and Analysis ("MD&A") for the financial year ended 31 March 2026.

The year under review marked another significant phase in the gradual recovery and stabilisation of the tourism and hospitality industry, both globally and within Sri Lanka. Despite continued macroeconomic volatility, inflationary pressures, geopolitical uncertainties, and evolving traveller preferences, the Company demonstrated resilience through disciplined operational execution, strategic investments, and continued focus on guest experience enhancement.

The Company recorded encouraging operational and financial performance during the year, supported by improved occupancy levels, higher average room rates, strengthened demand from international leisure travellers, and enhanced contribution from tour operator partnerships.

Dolphin Hotels PLC continued to focus on long-term value creation through strategic investments in property enhancement, operational efficiency, digital transformation, and service excellence initiatives aimed at strengthening its positioning within Sri Lanka's leisure and hospitality sector.

GLOBAL TOURISM INDUSTRY OVERVIEW – 2026

The global tourism industry continued its gradual recovery and expansion during 2026, supported by increasing international travel demand, improved airline connectivity, easing travel restrictions, and growing consumer confidence across major tourism markets. The resurgence in leisure travel, coupled with the normalisation of global mobility, contributed significantly towards the recovery of the hospitality sector worldwide. Many destinations experienced increased tourist arrivals driven by pent-up travel demand, growth in experiential tourism, and a shift towards wellness and lifestyle-oriented travel experiences.

Despite the positive momentum, the global tourism industry continued to operate within a complex economic environment characterised by inflationary pressures, geopolitical uncertainties, rising operational costs, and volatile energy prices. These factors continued to impact travel affordability, operational margins, and overall industry profitability. Nevertheless, travellers increasingly prioritised unique and personalised experiences, sustainable tourism practices, digital convenience, and high-quality guest engagement, prompting hospitality operators globally to invest in service enhancement, technological transformation, and long-term sustainability initiatives.

The hospitality sector also witnessed increasing competition within the leisure and resort segment, with operators focusing on brand differentiation, customer experience enhancement, operational efficiency, and digital marketing strategies to maintain market share and strengthen profitability. The continued growth of online booking platforms, direct booking channels, and digital customer engagement further transformed the operating landscape of the global tourism industry during the year under review.

SRI LANKA TOURISM INDUSTRY OVERVIEW – 2026

Sri Lanka's tourism industry demonstrated encouraging recovery momentum during 2026 following a challenging period experienced over the past few years. The industry benefited from improved macroeconomic stability, increased international tourist arrivals, enhanced destination marketing efforts, and strengthening confidence among global travellers. The country continued to regain its positioning as a preferred leisure and experiential travel destination within the region, supported by its diverse tourism offerings, natural attractions, cultural heritage, and coastal hospitality sector.

The recovery in tourist arrivals positively impacted occupancy levels, average room rates, and revenue generation across the hospitality industry, particularly within the leisure and resort segments. Increased contributions from European, regional, and independent leisure travellers supported the gradual recovery of hotel operations throughout the country. The strengthening of partnerships with international tour operators, destination management companies, and online travel platforms also contributed towards improved tourism demand during the year.

However, the industry continued to face several operational and economic challenges including inflationary cost pressures, higher utility and energy costs, exchange rate volatility, and competitive pricing pressures within the hospitality sector. In response, hotel operators increasingly focused on operational efficiency, service quality enhancement, digital transformation, and guest experience improvement initiatives in order to maintain competitiveness and strengthen long-term sustainability.

The medium to long-term outlook for Sri Lanka's tourism industry remains positive, supported by the country's strong tourism fundamentals, growing international destination appeal, and continued recovery in global travel demand. The industry is expected to benefit from further improvements in airline connectivity, destination promotion initiatives, infrastructure development, and increasing interest in experiential and wellness tourism segments in the years ahead.

EMERGING TRENDS IN TOURISM – KEY FOCUS AREAS

The tourism and hospitality sector continues to evolve rapidly in response to changing traveller preferences and technological advancements. Key emerging trends influencing the industry include:

Experience-Driven Travel

Travellers increasingly seek immersive and personalised experiences rather than conventional accommodation offerings. This trend has intensified the focus on:

» Guest engagement;

» Experiential tourism;

» Customised hospitality offerings;

» Wellness and lifestyle experiences.

Digital Transformation

Technology continues to play a significant role in tourism operations and customer engagement. Hotels are increasingly investing in:

- Digital booking platforms;
- Guest engagement technologies;
- IT infrastructure;
- Revenue management systems;
- Data analytics and customer insights.

Sustainability and Responsible Tourism

Environmental sustainability and responsible tourism practices have become increasingly important within the global hospitality industry. Guests are placing greater emphasis on:

- Sustainable operations;
- Energy efficiency;
- Waste reduction;
- Eco-friendly hospitality practices.

Service Quality and Guest Experience

Competition within the hospitality industry has increased the importance of:

- Service excellence;
- Brand differentiation;
- Guest satisfaction;
- Facility enhancement;
- Consistent operational standards.

Leisure and Wellness Tourism

Leisure-oriented travel and wellness tourism continue to experience significant growth globally, creating opportunities for resort and leisure-focused hospitality operators.

FINANCIAL REVIEW

The Company recorded a notable improvement in operational and financial performance during the financial year ended 31 March 2026, supported by strengthening tourism demand, improved occupancy levels, enhanced pricing strategies, and continued focus on operational excellence.

Occupancy for the year improved to 75% compared to 73% recorded in the previous financial year, reflecting the gradual recovery in international leisure travel, improved customer demand, and the continued strength of the Company's relationships with tour operators and travel partners.

Average Room Rate (ARR) increased significantly to Rs. 46,150 during the financial year compared to Rs. 41,800 reported in the previous period. The improvement in ARR was driven by enhanced market positioning, improved pricing strategies, increased demand from international travellers, and the Company's continued efforts towards elevating guest experience and service standards.

As a result of improved occupancy and pricing performance, the Company recorded a topline growth of 17% during the year under review. Revenue increased to Rs. 1,699 million in the 2025/26 financial year compared to Rs. 1,446 million reported in the previous financial year. The revenue growth demonstrates the Company's ability to capitalise on the gradual recovery of the tourism and hospitality sector while maintaining competitive positioning within the market.

During the year, the Company undertook significant investments towards property face uplift initiatives, enhancement of guest experience, and improvements in information technology infrastructure. These strategic investments were undertaken with the objective of strengthening the overall value proposition of the hotel, improving operational efficiency, enhancing customer satisfaction, and supporting long-term sustainable growth. Consequently, operating expenses increased significantly during the year compared to the previous financial period. However, management believes that the long-term operational and financial benefits arising from these investments will positively contribute towards future profitability, operational efficiencies, and market competitiveness.

The Company continued to maintain a strong liquidity position throughout the financial year and remained a cash-rich entity. Excess cash reserves were strategically invested with the objective of generating interest income and optimising treasury returns, thereby contributing positively towards finance income during the year.

As at 31 March 2026, the Company's total asset base stood at approximately Rs. 6.5 billion, reflecting the underlying strength and stability of its asset portfolio. The Company also maintained its debt-free status during the year under review and continued to demonstrate strong cash flow generation and sound financial stability. Management remains confident in the Company's financial strength, liquidity position, and ability to support future operational and strategic investment initiatives.

Key Tour Operator and Customer Developments

The Company continued to maintain strong relationships with key international tour operators, travel agents, destination management companies, and online booking platforms throughout the financial year.

Management continued to focus on:

- Strengthening strategic travel partnerships.
- Expanding international customer reach.
- Enhancing direct booking channels.
- Improving guest engagement and retention.

The gradual recovery in inbound tourism and strengthening relationships with key travel partners contributed positively towards occupancy growth and revenue generation during the year.

The Company also continued to diversify its customer base through increased focus on:

- Direct bookings.
- Online travel agencies;
- International leisure travellers;
- Repeat guest segments.

Management remains committed to further strengthening strategic partnerships and expanding market penetration opportunities in the future.

Capital Investments and Future Development

Management remains committed to continuously enhancing the Company's asset quality, operational capabilities, and guest experience standards.

In line with this strategy, the Company intends to undertake a soft refurbishment program during the 2026/27 financial year with the objective of:

» Enhancing overall guest experience;
» Strengthening brand positioning;
» Improving product offerings;
» Enhancing long-term value proposition;
» Supporting future revenue growth opportunities.

The planned refurbishment initiatives are expected to further strengthen the Company's competitiveness within the leisure and hospitality sector while supporting long-term shareholder value creation.

RISK MANAGEMENT

Dolphin Hotels PLC continues to recognise that effective risk management plays a critical role in ensuring long-term operational sustainability, financial resilience, and value creation for shareholders and other stakeholders. Operating within the dynamic leisure and hospitality sector exposes the Company to a range of external and internal risks that require continuous monitoring, evaluation, and mitigation.

During the financial year under review, management continued to closely monitor global and domestic economic developments that could impact tourism demand, operational performance, and overall business stability. Global economic uncertainties, geopolitical developments, inflationary trends, and fluctuations in international travel patterns continued to influence the operating environment of the tourism and hospitality industry.

Inflationary pressures and rising operational costs remained key challenges during the year, particularly in relation to utility expenses, food and beverage costs, employee remuneration, maintenance expenditure, and other operating inputs. Management continued to implement cost management and operational efficiency initiatives while ensuring that service standards and guest experience were maintained at expected levels.

Exchange rate volatility also remained a significant area of focus given the Company's exposure to foreign tourist markets and imported operational inputs. Management continued to closely monitor foreign exchange movements and adopt appropriate treasury and operational strategies to mitigate potential impacts arising from currency fluctuations.

The tourism and hospitality industry is inherently sensitive to changes in travel demand and market conditions. Accordingly, the Company continued to focus on strengthening its relationships with international tour operators, travel agents, online booking platforms, and repeat customer segments in order to maintain occupancy stability and revenue growth. Management also continued to diversify customer channels and enhance direct booking capabilities to strengthen market competitiveness.

Competitive market conditions within the leisure hospitality sector continued to intensify during the year as hotel operators focused on pricing strategies, service quality enhancement, and product differentiation. In response, Dolphin Hotels PLC continued to invest strategically in guest experience enhancement initiatives, property face uplift programs, technological improvements, and operational infrastructure upgrades aimed at strengthening the overall value proposition of the hotel.

The Company also recognises the increasing importance of environmental sustainability and climate-related risk management within the tourism sector. Adverse weather conditions, coastal and environmental impacts, and sustainability-related operational risks continue to be monitored closely. Management remains committed to responsible operational practices and continuously evaluates opportunities to improve environmental sustainability and operational resilience.

Infrastructure and operational disruptions also remain important areas of consideration within the hospitality sector. During the year, management continued to prioritise preventive maintenance, operational continuity planning, information technology improvements, and infrastructure enhancement initiatives in order to minimise operational disruptions and maintain service quality standards.

The Company continues to strengthen its internal control environment, governance frameworks, operational monitoring mechanisms, and strategic planning processes to effectively identify, assess, and manage risks across the organisation. Supported by a strong balance sheet, healthy liquidity position, and debt-free status, Dolphin Hotels PLC remains well-positioned to navigate evolving market conditions while pursuing sustainable long-term growth opportunities.

Outlook for 2026/27 and Beyond – Leisure and Tourism Industry

a) Industry Outlook

The outlook for both the global and Sri Lankan tourism industry remains cautiously optimistic as the sector continues its gradual recovery and stabilisation following several years of economic and operational uncertainty. Increasing international travel demand, improving airline connectivity, and strengthening consumer confidence are expected to continue supporting the recovery momentum of the global hospitality industry during the forthcoming financial periods.

The leisure and tourism sector is expected to benefit from the continued growth in experiential travel, wellness tourism, and destination-based leisure experiences, particularly across emerging and developing tourism markets. The expansion of regional and international tourism flows, coupled with enhanced digital accessibility and destination marketing initiatives, is expected to further strengthen demand within the hospitality sector.

b) Sri Lanka Tourism Potential

Sri Lanka continues to demonstrate strong long-term tourism potential supported by its diverse tourism offerings, natural attractions, cultural heritage, wildlife experiences, and growing international destination appeal. The country remains well-positioned to benefit from the continued recovery in global travel demand and increasing interest in leisure-oriented tourism destinations within the region.

Improved destination promotion activities, strengthening tourism infrastructure, increased airline connectivity, and continued development of the tourism ecosystem are expected to support further growth in tourist arrivals and industry performance in the medium to long term.

c) Outlook for Dolphin Hotels PLC

Against this backdrop, Dolphin Hotels PLC remains optimistic regarding its future growth prospects and operational performance. Management expects the Company to continue benefiting from improving tourism demand, strengthened relationships with international tour operators, increasing direct booking opportunities, and the gradual recovery in international leisure travel.

The Company also expects future growth opportunities to arise through continued strategic operational enhancements, strengthened guest experience initiatives, expansion of digital and direct booking channels, and ongoing investments in property and infrastructure improvements.

In line with its long-term growth strategy, management intends to undertake a soft refurbishment program during the 2026/27 financial year with the objective of further enhancing the overall value proposition of the hotel, improving guest satisfaction, strengthening market positioning, and supporting future revenue growth opportunities.

d) Challenges and Market Risks

Despite the positive outlook, management remains mindful of potential challenges and uncertainties that may continue to impact the tourism and hospitality industry. Global economic conditions, inflationary pressures, exchange rate volatility, geopolitical developments, and competitive market dynamics continue to remain key areas of focus for the Company.

The hospitality industry also continues to experience increasing competition within the leisure sector, requiring operators to continuously improve service quality, operational efficiency, pricing strategies, and customer engagement in order to maintain competitiveness and long-term sustainability.

Management will continue to closely monitor market developments and adopt appropriate operational, financial, and strategic measures to effectively respond to changing industry conditions.

e) Strategic Focus Going Forward

Looking ahead, Dolphin Hotels PLC remains focused on sustainable growth, operational excellence, revenue optimisation, guest experience enhancement, and long-term shareholder value creation.

Management will continue to prioritise:

» Enhancing operational efficiencies;

» Strengthening customer experience and service quality;

» Strategic investments in property and infrastructure enhancement;

» Expansion of digital engagement and direct booking capabilities;

» Sustainable business practices and long-term operational resilience.

Supported by a strong balance sheet, healthy liquidity position, debt-free status, and continued focus on strategic development, the Company remains well-positioned to capitalise on future opportunities within the evolving leisure and tourism industry.

CONCLUSION

Despite operating within a dynamic and evolving economic environment, Dolphin Hotels PLC demonstrated resilience and continued progress during the financial year ended 31 March 2026. The Company recorded improved occupancy levels, stronger average room rates, and healthy revenue growth while continuing to invest strategically in operational enhancements, guest experience initiatives, and long-term value creation programs aimed at strengthening its market positioning and operational sustainability.

Supported by a strong balance sheet, healthy liquidity position, debt-free status, and disciplined operational management, the Company remains well-positioned to capitalise on future opportunities within the tourism and hospitality sector. Management remains confident in the Company's ability to navigate evolving market conditions while continuing to enhance operational efficiency, strengthen guest experience, and deliver sustainable long-term growth.

The Board of Directors wishes to place on record its sincere appreciation to the Company's shareholders, employees, guests, tour operators, business partners, regulatory authorities, and all other stakeholders for their continued support, trust, and valuable contribution towards the success and progress of the Company throughout the year under review.

Dolphin Hotels PLC remains committed to delivering sustainable growth, operational excellence, and long-term value creation to all stakeholders in the years ahead.

STEWARDSHIP

Risk Management

Dolphin Hotels PLC takes a dynamic approach in risk management which ensures proactive identification, assessment and response of key business risks. Our risk assessment process takes the likelihood and the potential impact of an event into account and lists out the action plans taken to mitigate the risk of such an event.

The risk management process of Dolphin Hotels PLC, is developed to investigate and control industry specific and general risks in which the entity is exposed to. We have adopted the ISO 31000 standard of risk management which provides a platform that ensures the quality of managing risk within the guidelines and principles of the framework. The framework elaborates on establishing the context, risk identification, risk assessment, risk response, treatment for the risk, risk reporting and monitoring.

THE GROUP RISK POLICY

Our policy for risk management is to proactively manage risk to ensure continued growth of our business and to protect our people, assets and reputation.

This implies that we will:

- Implement an effective and integrated risk management system while maintaining business flexibility.
- Identify and assess material risks associated with our business, monitor, manage and mitigate risks.

INTERNAL CONTROL AND RISK MANAGEMENT

The management team of Serendib Leisure Management Ltd, managing agent of Dolphin Hotels PLC, reviews and assesses significant risks on a regular basis and has implemented an oversight program to ensure that there is a system of information gathering, awareness and action to mitigate exposure to identified risks.

The management team of Serendib Leisure Management Ltd, managing agent of Dolphin Hotels PLC, overlooks the risk management process of the Dolphin Hotels PLC.

The Group Risk Management Committee (GRMC) of LOLC Holdings PLC (ultimate parent company of Dolphin Hotels PLC) reviews the company's risk profile and provides guidance on required risk responses on a quarterly basis.

The Audit Committee of Dolphin Hotels PLC reviews and monitors internal controls. The internal audit scope is approved by the Audit Committee at the beginning of the financial year. Follow-up of internal audit findings are performed by the Internal Audit team of LOLC Holdings PLC.

The management reports on compliance to financial and operational controls based on a checklist drafted by GRMC on a quarterly basis were reviewed quarterly by the Audit Committee and necessary recommendations were made on risk responses. As a part of the Risk Management Process, the Board reviews its strategies, processes, procedures and guidelines on a continuous basis to effectively identify, assess and respond to risks. The group-wide Risk Management program is facilitated by the Group Risk and Control division with the inputs from Business Strategy, Corporate Finance, Group Treasury and Group Human Resource divisions. Risk facilitation is exercised through risk workshops, risk reviews, essential control check lists and risk reporting.

RISK EVALUATION AND MAPPING

The risk heat map is developed based on the assessment of the likelihood of occurrence and the potential impact of risks. Likelihood of occurrence is assessed on the basis of past experience and preventive actions in place. A ranking of Rare, Unlikely, Moderate, Likely and Almost Certain is assigned to all risks based on the likelihood of occurrence. The impact of the event is evaluated by determining the loss it would cause and the extent of the impact. After considering the above two factors, the impact is categorised as Insignificant, Minor, Moderate, Major and Extraordinary. The position of a risk in the risk heat map indicates whether it falls below or above the risk appetite level of Dolphin Hotels PLC.

Risk and their corresponding mitigating action plans are then reviewed by the GRMC. The identified risk is then mapped on the below risk matrix and relevant action is taken as per the risk rating.

RISK MATRIX

IMPACT					
Extraordinary	S	H	H	H	E
Major	S	S	H	H	H
Moderate	M	M	S	S	H
Minor	L	L	M	S	S
Insignificant	L	L	L	M	S
	Rare	Unlikely	Moderate	Likely	Almost Certain
	LIKELYHOOD				

MANAGING RISK

Risk Rating	Required Action
	» Board attention is required » Immediate action by senior management with a detailed research and management of risk through appropriate responses
	» Board attention is required » Senior management responsibility specified » Risk must be managed by senior management with a detailed risk treatment plan
	» Senior management attention required » Management responsibility specified » Risks should be treated using one or more of the risk treatment option
	» Risks should be treated using one or more of the risk treatment options » Risks should be managed using specific monitoring or treatment procedures
	» Risk is accepted with minimal treatment and can normally be managed using existing routine procedures » Low risks need to be monitored and periodically reviewed to ensure they remain acceptable

Dolphin Hotels PLC's risk management system engages risks posed to the Group on a broad front. The risk management process is entrenched in the core values of the Company and the Senior Management demonstrates leadership in championing the Company's risk management initiatives, thereby ensuring the Company's competitiveness and sustainability in the long term.

Risk category	Risk Exposure	Risk Mitigating Actions
1. Global Travel Risk **RISK ASSESSMENT** » Impact : Extraordinary » Likelihood : Almost certain	Adverse impact on global travel due to country borders being shutdown / negative travel advisories / cancellation of flights and negative appetite of foreign travel among global travellers due to adverse social and economic condition of the country	» Implementation of recommended safety protocols to ensure safety of guests and employees » Actively participate in industry associations to lobby for releasing negative travel advisories » Join in Destination marketing campaigns on social media and other digital media
2. Macroeconomic & Political Risks **RISK ASSESSMENT** » Impact : Extraordinary » Likelihood : Almost certain	Increase of operational costs / Decrease in revenue / Increase in finance cost / Cash flow deficiencies / Cancellation of reservations / Barriers on supply chain	» Placement of contingency and recovery plans to mitigate the exposure to unexpected fluctuations / crisis » Active participation in industry associations to lobby for releasing negative travel advisories » Management being on alert regularly for changes in economic and political environment as to identify risks at possible earliest stage
3. Liquidity Risk **RISK ASSESSMENT** » Impact : Major » Likelihood : Likely	Risk of inability to meet short term loan repayments / supplier payments and other liabilities	» A significant component of interest bearing loans and borrowings were settled from the cash proceeds obtained from the right issue. » Negotiating new overdraft facilities to fund short term cash requirements » Negotiation of longer credit periods with suppliers » Re-negotiation of all contracts / subscriptions and annuities for better credit terms » Maintaining the fixed overheads at a minimum level to control operational cash-burn

Risk category	Risk Exposure	Risk Mitigating Actions
4. Risk of noncompliance **RISK ASSESSMENT** » Impact : Major » Likelihood : Likely	Possible requirement of mandatory disclosure of star rating of hotels	» Invest in all properties for the necessary improvements to retain the currently advertise star rating
5. Market Risk **RISK ASSESSMENT** » Impact : Major » Likelihood : Almost certain	Adverse impact on yields and occupancies due to fluctuation in demand	» Closely monitor the socio-economic environment of the traditional markets and targeting new emerging markets » Analyse resources and capabilities to identify core competencies and differentiate through brand and service excellence » Sourcing new markets and developing new channels » Participate in trade fairs both local and foreign in order to promote the properties and to attract new tour operators
6. Credit Risk **RISK ASSESSMENT** » Impact : Moderate » Likelihood : Likely	Risk arising due to default by customers due to possible bankruptcy of travel agents / tour operators. Impact on liquidity and profitability	» Credit is allowed only for approved customers which is reviewed bi-annually » Monitor and review the overdue debtor balances monthly » Obtain booking advances » Compliance to laid down credit SOPs on credit control » Signed up for payment plans with Tour Operators & Travel Agents
7. Health and Safety Risk **RISK ASSESSMENT** » Impact : Moderate » Likelihood : Moderate	Risk of litigation due to non-adherence to laid down health and safety regulations. This could be due to, but not restricted to food poisoning, personal or accidental harm to guests or employees.	» Insurance taken to cover both employee and guest injuries. Further, regular maintenance of the property and equipment's is done to ensure all operating equipment are of good operating condition » Group has defined its food safety standards in its Procedure Manual and all food handlers are taken through comprehensive training on the same » The hotel takes all precautions from sourcing the supplier to storage and preparation of food to ensure contamination is avoided » Tour operator safety standards are complied with and necessary action is taken immediately on any concern area related to health and safety based on audit inspections done by tour operators » The Company sources its products and services from approved suppliers » Performing quarterly Health and Safety audit reviews
8. Foreign Exchange Rate Risk **RISK ASSESSMENT** » Impact : Moderate » Likelihood : Likely	Adverse impact on P&L and gearing	» Exchange rate movements are taken into consideration when entering into contracts with travel agents » Structure Forex Borrowings in proportion to the revenue currency mix » Hedge in Forward Rate Agreements (FRAs)
9. Human Resource Risk **RISK ASSESSMENT** » Impact : Moderate » Likelihood : Rare	Risk of losing skilled and trained human capital and recruitment of right staff for new hotel developments. Trade union activities resulting in work disruptions	» Establish career development programs and succession plans in order to retain and motivate the talent pool of the Company » Provide focused and structured training for staff at all levels to aid personal and professional development » Develop a strong employer brand to attract staff of the right quality » Increasing employee engagement through designing recognition programmes

Sustainability and ESG Reporting S1 & S2 Disclosures

Sustainability Related Risk and Opportunities (SRRO)

WASTE MANAGEMENT

Sustainability Related Risk (SRRO) - Waste Management		
Impact on Prospects	Description	Hotel operations generate significant volumes of solid and organic waste. Regulatory expectations regarding waste segregation, recycling, plastic reduction, and disposal are increasing, particularly in environmentally sensitive destinations such as Sri Lanka and the Maldives.
	Risk	Sustainability Related Risk
	Time Horizon	ST | MT | LT
Business Model and Value Chain	Current effects on business model and value chain	Operational activities continue to generate significant volumes of food waste, packaging waste, and single-use plastic consumption across hospitality operations and guest services. Current hotel operations increasingly incorporate environmentally responsible waste management practices as part of broader sustainability and responsible tourism initiatives across the leisure portfolio. Waste management considerations are progressively influencing procurement, housekeeping, food and beverage operations, guest services, and supplier engagement practices , while increasing regulatory scrutiny on plastics, recyclability, and labelling is creating greater compliance sensitivity across operations.
	Anticipated effects on business model and value chain	The business model is expected to increasingly integrate circular economy principles and sustainable tourism practices in response to tightening environmental regulations, evolving stakeholder expectations, the growing influence of plastics Extended Producer Responsibility (EPR) requirements. Future hotel operations are likely to require enhanced waste segregation systems, greater recycling and composting capabilities, stronger monitoring of waste streams, and formalised partnerships with certified waste management and recycling providers. Sustainable procurement is expected to strengthen through increased use of recyclable, reusable, and biodegradable materials and reduced single-use plastics, while the value chain will require greater traceability and accountability of materials, waste practices, and supplier environmental performance in line with emerging regulations and GSTC principles.
	Where is it concentrated	Operational Risk Compliance Risk Reputational Risk Supply Chain Risk
Strategy and Decision Making	Plans to respond to in strategy, risk management, transition plans and climate-related targets	Current strategic decision-making on waste management increasingly incorporates environmental sustainability and responsible tourism considerations into hotel operations, refurbishment activities, procurement processes, and long-term operational planning. Ongoing sustainability initiatives, including waste reduction, single-use plastic reduction, water conservation, energy efficiency, and eco-friendly operations, are gradually being embedded into operational management frameworks, particularly across environmentally sensitive coastal resort properties.

Sustainability Related Risk (SRRO) - Waste Management		
	How the Company is resourcing and planning to resource activities	Future strategic priorities are expected to place greater emphasis on strengthening waste governance frameworks, enhancing environmental monitoring systems, and pursuing sustainability certifications aligned with responsible tourism standards by adopting zero-wastelandfill and landfill diversion targets as part of its broader ESG strategy. Investment priorities may increasingly focus on advanced waste segregation infrastructure, composting systems for food and organic waste, wastewater treatment improvements, sustainable packaging initiatives, and digital systems for tracking waste generation and disposal practices. The Group is also likely to strengthen staff awareness programs, environmental training initiatives, and guest engagement efforts aimed at promoting responsible consumption and waste reduction behaviours across hotel operations. Supplier engagement practices may increasingly incorporate sustainability-related procurement criteria emphasising recyclable materials, packaging reduction, and environmentally preferable products.
Financial Effects	Current year financial effects to P&L, BS and CF (Profit and Loss, Balance Sheet, Statement of Cashflows)	Current financial impacts primarily relate to operational costs associated with waste collection, disposal, and incremental sustainability initiatives such as plastic reduction and recycling programs.
	Anticipated financial effect over short, medium and long term to P&L, BS and CF	Increased expenditure may be required for sustainable packaging alternatives, enhanced waste infrastructure, regulatory compliance, and circular economy partnerships. Improved waste management practices may support long-term operational efficiencies, reduced disposal costs, enhanced brand value, and stronger alignment with sustainable tourism expectations. Non-compliance with evolving waste-related regulations may result in reputational impacts and increased operational costs over time.

FOOD SAFETY

Sustainability Related Risk (SRRO) - Food Safety		
Impact on Prospects	Description	Food safety is a critical operational and reputational risk for hotels. Compliance with food hygiene regulations, health standards, and supplier controls is essential to protect guest wellbeing and trust.
	Risk	Sustainability Related Risk
	Time horizon	ST | MT | LT
Business Model and Value Chain	Current effects on business model and value chain	Food safety and hygiene management currently form an important component of operational management across LOLC Leisure properties due to the significant role of food and beverage services within the hospitality value chain. Hotel operations increasingly require adherence to food hygiene procedures, safe food handling practices, quality control standards, supplier screening processes, and compliance with local public health regulations in order to maintain operational continuity and guest confidence.

Sustainability Related Risk (SRRO) - Food Safety		
	Anticipated effects on business model and value chain	The business model is expected to increasingly integrate stronger food safety governance, hygiene monitoring systems, and traceability practices in response to evolving public health regulations, international tourism standards, and growing customer expectations regarding food quality and safety. Future hotel operations are expected to place greater emphasis on strengthened supplier due diligence, tighter food safety and cold-chain controls, and improved transparency across sourcing, preparation, and storage activities, supported by enhanced traceability, stricter supplier certification standards, and more robust monitoring systems throughout the value chain. Sustainability-focused tourism trends may also increase demand for healthier, locally sourced, environmentally sustainable, and traceable food products across hospitality operations. Food safety performance is expected to become a more significant factor influencing brand positioning, customer trust, online reputation, and long-term competitiveness within the hospitality sector.
	Where is it concentrated	Operational Risk Compliance Risk Reputational Risk Supply Chain Risk Health and Safety Risk
Strategy and Decision Making	Plans to respond to in strategy, risk management, transition plans and climate- related targets	Current operational management across the leisure portfolio increasingly emphasises food hygiene, customer well-being, culinary quality, and responsible hospitality practices in line with evolving international tourism and public health expectations. Food safety considerations are progressively integrated into procurement activities, kitchen operations, supplier selection, inventory handling, sanitation procedures, and staff training programs across hotel properties..
	How the Company is resourcing and planning to resource activities	Future strategic priorities are expected to focus on strengthening food safety governance frameworks, hygiene monitoring systems, supplier assurance mechanisms, and staff competency programs across hotel operations. Investment priorities may increasingly include upgraded kitchen infrastructure, temperature monitoring systems, food traceability technologies, hygiene audits, digital compliance systems, and enhanced quality assurance processes. Supplier engagement processes may increasingly incorporate food safety certifications, traceability requirements, and sustainability-related sourcing criteria aligned with evolving hospitality standards. Strategic decision-making is expected to align more closely with international hospitality food safety standards (ISO 22000, ISO 9001, HACCP), public health regulations, responsible tourism principles, and broader ESG expectations relating to customer health, safety, and operational resilience.

Sustainability Related Risk (SRRO) - Food Safety		
Financial Effects	Current year financial effects to P&L, BS and CF (Profit and Loss, Balance Sheet, Statement of Cashflows)	Current financial impacts primarily arise from operational expenditure associated with food safety compliance activities, hygiene management systems, quality assurance procedures, kitchen maintenance, supplier audits, employee training, and compliance with public health and hospitality regulations. Additional costs may also arise from implementation of food storage controls, sanitation procedures, waste management practices, and customer safety initiatives across hotel operations. At the same time, maintaining strong food safety standards may support customer satisfaction, protect brand value, reduce operational disruptions, and strengthen guest retention and occupancy performance across the leisure portfolio.
	Anticipated financial effect over short, medium and long term to P&L, BS and CF	Future expenditure may increase due to investments in food safety management systems, hygiene monitoring technologies, supplier audits, staff training programs, food traceability systems, and potential certification-related compliance activities associated with internationally recognised standards However, stronger alignment with recognised food safety and quality management frameworks may enhance customer confidence, strengthen brand reputation, improve operational consistency, reduce food contamination risks.

WATER STEWARDSHIP

Sustainability Related Risk (SRRO) - Water Stewardship		
Impact on Prospects	Description	Hotels rely heavily on water for guest services, landscaping, kitchens, and sanitation. Water scarcity, quality concerns, and regulatory controls present operational and environmental risks, especially in island and coastal destinations.
	Risk	Sustainability related risk
	Time horizon	ST | MT | LT
Business Model and Value Chain	Current effects on business model and value chain	Water is a critical input in hotel operations, with current usage driven by guest services, housekeeping, landscaping, and food and beverage activities. Current hotel operations increasingly incorporate water conservation and environmentally responsible water management practices as part of broader sustainability and responsible tourism initiatives across the leisure portfolio. LOLC Holdings has identified water management as a core sustainability focus area across its hospitality assets in Sri Lanka, and Maldives.
	Anticipated effects on business model and value chain	The business model is expected to increasingly integrate comprehensive water stewardship practices, climate-resilient water infrastructure, and circular water management principles in response to growing water stress, climate-related risks, and evolving environmental regulations. Future hotel operations are likely to require enhanced water efficiency systems, wastewater recycling capabilities, rainwater harvesting infrastructure, smart water monitoring technologies, and stronger water governance frameworks across all properties. The hospitality value chain is also expected to increasingly align with sustainable tourism standards and Supplier engagement practices may progressively incorporate water-related sustainability criteria.
	Where is it concentrated	Operational Risk Compliance Risk Physical Climate Risk Reputational Risk Supply Chain Risk

Sustainability Related Risk (SRRO) - Water Stewardship		
Strategy and Decision Making	Plans to respond to in strategy, risk management, transition plans and climate- related targets	Current strategic decision-making increasingly incorporates water stewardship, resource efficiency, and environmentally responsible tourism practices into hotel operations, refurbishment projects, infrastructure investments, and sustainability management processes.
	How the Company is resourcing and planning to resource activities	Future strategy is expected to place greater emphasis on water stewardship as a key sustainability priority, particularly in high-risk or water-stressed locations. Decision-making may increasingly prioritise investment in water-efficient technologies, recycling systems, and infrastructure upgrades to reduce consumption and improve resilience. Water management considerations are likely to be further integrated into capital planning, refurbishment decisions, and ESG performance targets and employee trainings. Operational decision-making is also expected to increasingly consider climate-related water risks, including drought conditions, water scarcity, saline intrusion, changing rainfall patterns, and rising environmental compliance requirements within coastal and island tourism destinations.
Financial Effects	Current year financial effects to P&L, BS and CF (Profit and Loss, Balance Sheet, Statement of Cashflows)	Current financial impacts primarily arise from operational expenditure associated with water supply, wastewater treatment, irrigation systems, and water conservation initiatives. At the same time, resource-efficiency initiatives relating to water conservation, treated wastewater reuse, and operational optimisation may contribute to gradual reductions in utility consumption costs and improved operational efficiency over time.
	Anticipated financial effect over short, medium and long term to P&L, BS and CF	Increased capital expenditure may be required for advanced water recycling systems, smart monitoring technologies, and infrastructure upgrades to improve water efficiency. Improved water management practices may lead to long-term cost savings, enhanced operational resilience, and stronger alignment with sustainability expectations in the tourism sector. Failure to manage water risks effectively may result in higher operating costs and potential constraints on operations in water-stressed regions.

CLIMATE RELATED RISK AND OPPORTUNITIES (CRRO)

Physical risk

Disruption of operations due to extreme weather events

Physical climate risks for LOLC Leisure assets are categorised into acute events, including riverine flooding and extreme rainfall flood, and chronic risks, including sea level rise and extreme heat. These climate-related hazards pose material risks to hospitality infrastructure, particularly hotels and resorts located in coastal and low-lying tourism destinations, through accelerated asset deterioration, operational disruptions, and reduced guest accessibility during and following extreme weather events.

LEGEND

No hazard | Low hazard | Medium hazard | High hazard

Hotel	District	Hazard	Baseline	SSP3-7		SSP5-8.5	
				2030	2050	2030	2050
Dolphin Hotels	Gampaha	Extreme Heat	High hazard	High hazard	High hazard	High hazard	High hazard
		Riverine flood	Medium hazard	High hazard	High hazard	Medium hazard	High hazard
		Extreme Rainfall flood	High hazard	High hazard	High hazard	High hazard	High hazard
		Sea level rise	Medium hazard	Medium hazard	Medium hazard	Medium hazard	High hazard

Hotel	District	Hazard	Baseline	SSP3-7		SSP5-8.5	
				2030	2050	2030	2050
The Eden	Kalutara	Extreme Heat	High hazard	High hazard	High hazard	High hazard	High hazard
		Riverine flood	Medium hazard	High hazard	High hazard	Medium hazard	High hazard
		Extreme Rainfall flood	High hazard	High hazard	High hazard	High hazard	High hazard
		Sea level rise	Medium hazard	Medium hazard	Medium hazard	Medium hazard	High hazard

Hotel	District	Hazard	Baseline	SSP3-7		SSP5-8.5	
				2030	2050	2030	2050
Thaala Hotel	Galle	Extreme Heat	High hazard	High hazard	High hazard	High hazard	High hazard
		Riverine flood	High hazard	High hazard	High hazard	High hazard	High hazard
		Extreme Rainfall flood	High hazard	High hazard	High hazard	High hazard	High hazard
		Sea level rise	Medium hazard	Medium hazard	Medium hazard	Medium hazard	Medium hazard

Hotel	District	Hazard	Baseline	SSP3-7		SSP5-8.5	
				2030	2050	2030	2050
Hotel Sigiriya	Matale	Extreme Heat	High hazard	High hazard	High hazard	High hazard	High hazard
		Riverine flood	High hazard	High hazard	High hazard	Medium hazard	High hazard
		Extreme Rainfall flood	High hazard	High hazard	High hazard	High hazard	High hazard
		Sea level rise	No hazard	No hazard	No hazard	No hazard	No hazard

CRRO Physical risk - Disruption of operations due to extreme weather events		
Impact on Prospects	Description	LOLC Leisure's hotel portfolio is exposed to a combination of acute risks, such as riverine flooding and extreme rainfall flood events, and chronic risks including sea level rise and increasing temperatures. Some properties are highly exposed to flooding, storm surges, and long-term sea-level rise, and more vulnerable to extreme heat. These risks can disrupt operations, damage assets, increase operational costs, and affect long-term tourism demand and asset values.
	Risk	Physical – Acute Risk & Chronic Risk
	Time horizon	ST | MT | LT
Business Model and Value Chain	Current effects on business model and value chain	At present, acute physical risks such as riverine flooding and extreme rainfall already impact operations; these events disrupt guest access, reduce occupancy, and occasionally result in temporary service interruptions or partial operational constraints. Operational disruptions also affect staff mobility and supply chain continuity, leading to short-term inefficiencies in service delivery, especially during peak monsoon periods. Early signs of coastal erosion and saline intrusion are emerging risks for beachfront assets, reflecting broader country-level coastal exposure in Sri Lanka, where a significant portion of the coastline is already considered vulnerable to erosion and inundation. Extreme heat is already impacting operations in inland and dry-zone properties primarily through increased cooling demand, higher energy consumption, and reduced comfort for outdoor guest experiences.
	Anticipated effects on business model and value chain	Sea level rise is expected to become a material for long-term risk, particularly for coastal assets, potentially affecting land usability, infrastructure integrity, and long-term asset value. However, this impact is not currently material. Extreme rainfall and flooding events are expected to increase frequency and intensity, leading to more recurring operational disruptions, higher maintenance requirements, and increased reliance on resilient infrastructure design. Extreme weather variability is expected to further disrupt tourism operations, while shifting rainfall and temperature patterns may alter seasonal demand cycles. Overall, climate change is expected to progressively reshape tourism flows, requiring adaptation in infrastructure design, service delivery, and destination positioning.
	Where is it concentrated	Operational Risk
Strategy and Decision Making	Plans to respond to in strategy, risk management, transition plans and climate- related targets	Climate risk is currently addressed through reactive operational responses, primarily focused on managing extreme weather disruptions rather than long-term structural adaptation and predominantly reactive business continuity measures in response to extreme weather events. Climate considerations are partially embedded into long-term capital allocation, site selection, or portfolio optimisation decisions.

CRRO Physical risk - Disruption of operations due to extreme weather events		
	How the Company is resourcing and planning to resource activities	Climate adaptation is expected to become increasingly embedded in strategic planning, investment decisions, and asset development frameworks. Strengthening business continuity and disaster recovery frameworks across all properties by integrating acute and chronic climate risks into capital allocation, site selection, and refurbishment decisions, while using climate scenario analysis to assess the impacts of flooding, sea level rise, and rising temperatures on operations and asset values. At the same time, the company is increasing investment in climate-resilient infrastructure including flood defences, elevation, drainage improvements, energy-efficient systems, and passive cooling technologies while strategically diversifying its hotel portfolio toward lower-risk geographic locations.
Financial Effects	Current year financial effects to P&L, BS and CF (Profit and Loss, Balance Sheet, Statement of Cashflows)	Current financial impacts are primarily driven by event-based disruptions, including revenue losses from booking cancellations, reduced occupancy during extreme weather events, and increased maintenance costs following flood or storm damage. Higher energy consumption due to cooling requirements also contributes to increased operating expenditure, particularly inland properties exposed to heat stress. These impacts remain largely episodic and are not yet materially reflected in long-term asset valuations.
	Anticipated financial effect over short, medium and long term to P&L, BS and CF	In the long term, increasing climate variability is expected to result in greater revenue volatility and higher operating costs, particularly due to disruptions in coastal tourism demand. Sea-level rise and coastal erosion may lead to potential impairment risks for beachfront assets, affecting balance sheet valuations and long-term investment returns. Additional capital expenditure will likely be required for climate adaptation measures, including resilient infrastructure, drainage systems, and energy-efficient technologies. Broader ecosystem degradation may also indirectly impact tourism demand and pricing power, particularly in coastal destinations reliant on natural attractiveness.

TRANSITION RISK

Regulatory and Conduct Risk with Increasing Transparency Expectation

Climate Related Risk (CRRO) - Regulatory and Conduct Risk with Increasing Transparency Expectation		
Impact on Prospects	Description	Regulation expectations on disclosure and transparency, along with broader regulatory and conduct risks in the leisure industry, reflect increasing requirements for standardised ESG reporting, climate-related disclosures, and compliance with environmental, safety, labour, and consumer protection regulations. Leisure operations are subject to multi-layered oversight covering responsible environmental practices, public safety, and ethical conduct. Failure to comply with these requirements may result in fines, operational restrictions, license suspensions, reputational damage, and reduced customer confidence, thereby adversely affecting long-term business sustainability.
	Physical / Transition risk	Transition Risk
	Time horizon	ST | MT | LT
Business Model and Value Chain	Current effects on business model and value chain	The current business model operates within existing regulatory frameworks covering environmental management, health and safety, labour practices, and tourism operational standards. Sri Lanka's Net Zero 2050 Roadmap, NDC 3.0 and National Tourism Policy are already pushing hotels toward lowercarbon, resource efficient and climate resilient operating models, including more efficient buildings, higher renewable energy use and stronger environmental safeguards in tourism projects. SLFRS S1 and S2 disclosure requirements are progressively influencing governance and reporting practices, with growing emphasis on integrating climate-related risks, opportunities, and environmental performance considerations into investment approvals and strategic planning processes.
	Anticipated effects on business model and value chain	The business model is expected to increasingly integrate structured sustainability and climate disclosure requirements aligned with evolving national and international frameworks, including SLFRS S1 & S2 expectations, NDC commitments, and sectoral sustainability standards. Regulatory oversight is expected to intensify across environmental protection, consumer safety, ethical operations, and community resource use. The value chain is likely to require enhanced data collection, traceability, and reporting systems aligned with GSTC (Global Sustainable Tourism Council) principles for accommodation providers and national sustainable tourism certification guidelines (SLTDA/NSTC). Greater standardisation of ESG data across suppliers, operations, and guest services is expected to support improved transparency and comparability of sustainability performance. The business model is expected to pivot toward a circular economy approach to meet future regulations on resource optimisation and zero-waste-to-landfill targets
	Where is it concentrated	Operational Risk Compliance Risk

Climate Related Risk (CRRO) - Regulatory and Conduct Risk with Increasing Transparency Expectation		
Strategy and decision making	Plans to respond to in strategy, risk management, transition plans and climate- related targets	Strategic decisions are primarily focused on maintaining compliance with statutory tourism, safety, and environmental requirements. Current strategic decision-making increasingly considers alignment with Sri Lanka's Net Zero 2050 commitments, Nationally Determined Contributions (NDCs), and the National Sustainable Tourism Policy when evaluating new developments, major refurbishments, and energy-related investments such as rooftop solar installations and high-efficiency systems.
	How the Company is resourcing and planning to resource activities	Strategic priorities will place greater emphasis on compliance with labour standards, environmental regulations, and strengthened guest health and safety requirements across all operations. Anticipated strategy is expected to prioritise obtaining recognised sustainability certifications such as Sri Lanka Tourism Development Authority (SLTDA), National Sustainable Tourism Certification (NSTC) and other eco-labels, positioning selected properties in line with emerging sustainable tourism standards. Strategic focus may increasingly emphasise improving transparency and sustainability communication, including clearer disclosure of environmental performance, certification status, and ESG initiatives to align with stakeholder expectations and market trends. Future decision-making is likely to be more closely aligned with national policy frameworks and action agendas, including Sri Lanka's National Sustainable Tourism Policy, Net Zero 2050 commitments, and broader environmental sustainability goals. The plastics EPR regime and tightening waste policy framework are expected to strengthen structured supplier engagement and promote circular economy partnerships, leading to formalised policies on sustainable materials, packaging standards, and waste management practices.
Financial Effects	Current year financial effects to P&L, BS and CF (Profit and Loss, Balance Sheet, Statement of Cashflows)	Financial impacts are primarily driven by incremental costs related to data collection, reporting processes, and compliance with evolving national regulatory requirements
	Anticipated financial effect over short, medium and long term to P&L, BS and CF	Increased expenditure may be required for advanced ESG data systems, third-party assurance, and compliance with evolving disclosure frameworks such as SLFRS S1 & S2 and GSTC-aligned reporting expectations. Stronger transparency and alignment with national and international sustainability standards may enhance investor confidence, access to sustainable finance, and market competitiveness in the tourism sector. Non-alignment with evolving disclosure expectations may result in reputational pressure and reduced attractiveness to sustainability-focused travellers and investors.

TECHNOLOGICAL OBSOLESCENCE DUE TO GREEN MARKET SHIFTS

Climate Related Risk (CRRO) -: Technological Obsolescence Due to Green Market Shifts		
Impact on Prospects	Description	Technological Obsolescence Due to Green Market Shifts refers to the risk that existing hotel infrastructure and operational systems may become less competitive as the hospitality industry transitions toward low-carbon, energy-efficient, and sustainability-driven technologies. This may result in operational inefficiencies, reduced market attractiveness, and potential long-term asset value erosion if timely upgrades are not undertaken.
	Physical / Transition risk	Transition Risk
	Time horizon	ST | MT | LT
Business Model and Value Chain	Current effects on business model and value chain	At present, sustainability-related technological adoption within the LOLC Leisure value chain is evident but remains incremental and not yet fully embedded across the portfolio. Energy efficiency improvements are progressively being driven through planned refurbishment programmers, including upgrades to lighting systems, HVAC equipment, and broader infrastructure enhancements. In parallel, several properties have already adopted renewable energy solutions, such as solar installations, reflecting an increasing shift towards cleaner energy sources.
	Anticipated effects on business model and value chain	The LOLC Leisure business model is expected to face increasing pressure to transition toward a low-carbon, resource-efficient hospitality platform, requiring broader integration of sustainable practices across operations. The value chain is likely to evolve through greater adoption of renewable energy, smart energy management systems, and gradual integration of low-carbon mobility solutions for fleet and guest transportation. Green building principles and sustainable procurement practices may be more consistently embedded, supporting improved energy efficiency, reduced emissions, and environmentally responsible sourcing across properties. Shifting customer preferences toward eco-tourism and wellness-oriented experiences may drive the repositioning of offerings and require a broader transformation of operational processes and asset configuration across the portfolio
	Where is it concentrated	Operational Risk Compliance Risk
Strategy and Decision Making	Plans to respond to in strategy, risk management, transition plans and climate- related targets	Technology-related decisions are primarily driven by operational efficiency, asset maintenance requirements, and cost considerations, with selective investment in sustainability-related upgrades. Sustainability-linked technological transformation remains at an early stage of integration within portfolio-level strategic planning.

Climate Related Risk (CRRO) -: Technological Obsolescence Due to Green Market Shifts		
	How the Company is resourcing and planning to resource activities	Future strategy is expected to increasingly embed green hospitality transformation as a core strategic priority, focusing on aligning the portfolio with evolving eco-tourism and low-carbon hospitality standards. Capital allocation decisions are likely to prioritise investment in advanced sustainability technologies, including smart building management systems, energy optimisation solutions, and integrated digital platforms for real-time environmental performance monitoring. Strategic decision-making may increasingly incorporate ESG-driven criteria across asset development, refurbishment cycles, and operational planning, including adoption of smart logistics planning, route optimisation, and transition toward electric or hybrid vehicles and low-emission machinery to support more efficient and low-carbon operations and will improve energy cost stability, and enhance resilience against fuel price volatility and future carbon-related regulatory pressures Greater emphasis is expected on capability building, including upskilling and recruitment of talent with expertise in sustainable hospitality operations, digital sustainability systems, and green technology adoption to support long-term transformation.
Financial Effects	Current year financial effects to P&L, BS and CF (Profit and Loss, Balance Sheet, Statement of Cashflows)	Current financial effects are reflected through ongoing capital expenditure on refurbishment and energy efficiency improvements, including upgrades to lighting, HVAC systems, and general infrastructure, which are capitalised on the balance sheet and require continuous cash outflows. However, as renewable energy integration remains limited, relatively high utility costs that are exposed to energy price fluctuations and directly impact operating margins.
	Anticipated financial effect over short, medium and long term to P&L, BS and CF	Increased capital expenditure may be required to adopt advanced green hospitality technologies, including smart energy systems and sustainable infrastructure upgrades. Failure to keep pace with technological advancements may result in competitive pressure on occupancy rates, pricing power, and long-term asset performance. Potential long-term benefits include operational efficiency gains and improved market positioning through technology-enabled sustainability performance.

CONSUMER SHIFT TOWARD GREEN HOSPITALITY

Climate Related Risk (CRRO) -: Consumer shift toward Green Hospitality		
Impact on Prospects	Description	Consumer Shift Toward Green Hospitality refers to the increasing preference among global travellers, corporate clients, and travel platforms for environmentally responsible and sustainability-certified accommodation, which may impact demand, pricing power, and competitiveness of hospitality assets within the portfolio that are not fully aligned with evolving sustainability expectations.
	Physical / Transition risk	Transition Risk
	Time horizon	ST | MT | LT
Business Model and Value Chain	Current effects on business model and value chain	At present, the LOLC Leisure portfolio demonstrates a growing awareness of sustainability trends, with initiatives such as energy efficiency improvements, solar installations at certain properties, and environmental conservation activities. These efforts contribute positively to brand perception; however, sustainability is not yet uniformly embedded as a core component of the customer value proposition across all properties. Guest experience design, marketing strategies, and service offerings are primarily driven by traditional hospitality attributes such as location, comfort, and pricing, with sustainability not yet fully embedded as a core element.
	Anticipated effects on business model and value chain	Consumer demand is expected to shift further toward green hospitality, with travellers placing greater emphasis on transparency, measurable sustainability performance, and authentic eco-friendly experiences, requiring LOLC Leisure to increasingly integrate sustainability into its business model to remain competitive. This shift may necessitate a transition toward integrating sustainability as a core element of the value proposition, including the development of eco-certified properties, expansion of renewable energy usage, and incorporation of sustainable practices across all operational areas. In addition, guest offerings may increasingly focus on wellness, nature-based experiences, and low-impact tourism, aligning with broader global trends. The value chain may also evolve to support this transition, with increased emphasis on sustainable sourcing, environmentally responsible service delivery, and enhanced communication of sustainability credentials through digital platforms and travel intermediaries.
	Where is it concentrated	Market Risk Operational Risk
Strategy and Decision Making	Plans to respond to in strategy, risk management, transition plans and climate- related targets	Sustainability considerations are incorporated into broader corporate responsibility initiatives; however, they are not yet fully integrated into customer-facing strategy or brand positioning across the leisure segment. Marketing and product development decisions continue to prioritise traditional performance drivers, with sustainability factors considered where they support operational efficiency or enhance reputation. Investment decisions related to sustainability initiatives, such as renewable energy or eco-friendly upgrades, are generally evaluated based on cost savings and return on investment, rather than as strategic enablers of demand growth or market differentiation.

Climate Related Risk (CRRO) -: Consumer shift toward Green Hospitality		
	How the Company resourcing and planning to resource activities	In response to evolving consumer preferences, LOLC Leisure may increasingly integrate sustainability into core strategic and commercial decision-making processes. This may include repositioning selected properties as eco-friendly or sustainable destinations, pursuing recognised environmental certifications, and embedding sustainability into brand identity and marketing communications. Capital allocation may shift toward investments that enhance the environmental performance and visibility of properties, including sustainable design features, and guest-facing green initiatives. In addition, decision-making frameworks may increasingly incorporate customer-driven sustainability metrics, enabling the Group to align product offerings with emerging market expectations. Over time, sustainability may transition from a supporting function to a key driver of competitive advantage, influencing portfolio development, pricing strategies, and customer engagement models.
Financial Effects	Current year financial effects to P&L, BS and CF (Profit and Loss, Balance Sheet, Statement of Cashflows)	At present, financial impacts are relatively limited and indirect, primarily reflected through modest capital expenditure on sustainability initiatives and incremental marketing benefits associated with improved brand perception. Revenue streams remain largely driven by traditional demand factors, with limited differentiation based on sustainability performance. Operating costs may benefit marginally from efficiency improvements; however, the absence of a fully developed green value proposition limits the ability to capture premium pricing or significantly influence occupancy levels.
	Anticipated financial effect over short, medium and long term to P&L, BS and CF	In the short term, financial impacts may include increased capital expenditure on sustainability enhancements, certification processes, and marketing initiatives aimed at strengthening green positioning. These investments may place modest pressure on cash flows and short-term returns. In the medium term, failure to align with consumer preferences may result in revenue-related risks, including reduced occupancy rates, lower average daily rates, and diminished competitiveness in key international markets. Conversely, proactive adaptation may support improved demand, stronger customer loyalty, and enhanced pricing power. In the long term, successful integration of sustainability into the core business model is expected to contribute to stronger financial performance through increased revenue resilience, premium positioning, and improved asset valuation. In contrast, properties that lag behind in meeting consumer expectations may face declining market relevance and potential value erosion.

ECO-TOURISM AND SUSTAINABLE PRODUCT DEVELOPMENT

Transition Opportunity - Eco-tourism and sustainable product development		
Impact on Prospects	Description	Eco-tourism and sustainable product development present an opportunity for LOLC Leisure to align with the growing demand for environmentally responsible travel by integrating eco-friendly infrastructure, renewable energy, and nature-focused offerings, thereby enhancing brand differentiation and long-term value creation.
	Physical / Transition	Transition Opportunity
	Time horizon	ST | MT | LT
Business Model and Value Chain	Current effects on business model and value chain	Sustainability is incorporated selectively through initiatives such as energy efficiency, renewable energy adoption, and conservation activities. Guest offerings and value chain activities remain largely aligned with traditional hospitality models, with limited integration of eco-tourism–focused products.
	Anticipated effects on business model and value chain	LOLC Leisure has the opportunity to reposition its business model by integrating sustainability as a central component of its product and service offerings. The Group's business model is expected to increasingly incorporate eco-tourism and sustainable hospitality concepts, including eco-friendly accommodation, nature-based and wildlife experiences, wellness tourism, community-based tourism programmes, and local cultural experiences. Guest value propositions may evolve into sustainable food and beverage concepts, farm-to-table dining experiences, locally sourced and organic food offerings, plastic-free guest experiences, low-carbon travel packages, and environmentally responsible recreational activities, enhancing differentiation in the hospitality market. Opportunities may also emerge through the development of green-certified hotels, climate-resilient resort infrastructure, renewable energy-integrated properties, and digital low-impact guest services such as paperless and smart-energy-enabled hospitality solutions and enhanced use of digital tools to communicate sustainability performance to customers.
Strategy and Decision Making	Plans to respond to in strategy, risk management, transition plans and climate- related targets	Eco-tourism and sustainable product development are supported through selected initiatives and property-level programs; however, they are not yet fully integrated into core strategic planning or portfolio-wide product development. Investment decisions related to sustainability are primarily driven by operational efficiency and cost considerations, rather than being positioned as key drivers of revenue growth and market differentiation. The eco-tourism segment presents significant potential for further structured and coordinated development across the portfolio.

Transition Opportunity - Eco-tourism and sustainable product development		
	How the Company resourcing and planning to resource activities	LOLC Leisure may increasingly incorporate eco-tourism and sustainable product development into its core growth strategy. Strategy is expected to increasingly focus on repositioning selected properties as eco-friendly destinations, including pursuing recognised certifications (Green Globe, Travelife) and strengthening sustainability-led branding in line with evolving global eco-tourism trends and enhanced marketing of sustainable offerings. Capital allocation is likely to strengthen renewable energy investments, green building upgrades, and the development of eco-tourism products such as wellness, nature-based, and conservation-focused experiences. Decision-making is expected to further integrate ESG considerations across operations, supported by sustainable supplier selection, environmentally responsible service design, enhanced digital communication of sustainability initiatives, and targeted talent development and upskilling to support sustainable hospitality capabilities. This shift may position sustainability not only as a risk mitigation tool but as a key driver of innovation, differentiation, and long-term value creation.
Financial Effects	Current year financial effects to P&L, BS and CF (Profit and Loss, Balance Sheet, Statement of Cashflows)	Current financial impacts are relatively modest and primarily reflected through incremental capital expenditure on sustainability initiatives and operational improvements. While these investments contribute to cost efficiencies and brand enhancement, their direct impact on revenue growth remains limited at present due to the absence of a fully developed eco-tourism product portfolio.
	Anticipated financial effect over short, medium and long term to P&L, BS and CF	In the short term, the development of eco-tourism offerings may require increased capital investment in sustainable infrastructure, property upgrades, and marketing initiatives, resulting in higher cash outflows and potential pressure on short-term returns. In the medium term, these investments are expected to support revenue growth through improved occupancy rates, enhanced pricing power, and stronger customer loyalty, particularly among environmentally conscious travellers and premium market segments. In the long term, successful integration of eco-tourism and sustainable product development is likely to enhance overall financial performance by strengthening brand equity, increasing asset value, and improving resilience to changing market conditions. This may also support access to ESG-linked financing and partnerships, further contributing to long-term value creation.

Annual Report of the Board of Directors

The Board of Directors of Dolphin Hotels PLC takes pleasure in presenting its Report together with the Audited Financial Statements of the Company for the year ended 31 March 2026.

The Financial Statements and the disclosures made herein conform to the requirements of the Companies Act No. 7 of 2007. The Report also includes relevant disclosures required to be made under the Listing Rules of the Colombo Stock Exchange and is guided by the recommended best practices on accounting and corporate governance.

DOLPHIN HOTELS PLC

Dolphin Hotels PLC is a Public Quoted Company with Limited Liability, incorporated in Sri Lanka on 20th January 1981 under the Companies Ordinance (Cap 145) and re-registered under the Companies Act No. 7 of 2007 as required under the provisions of the Companies Act No. 07 of 2007 on 26th June 2009. The Company was listed on the Main Board of the Colombo Stock Exchange on 1st January 1982. The Registered Office of the Company is No. 100/1 Sri Jayewardenapura Mawatha, Rajagiriya. The business premises is situated at St. Sebastian Mawatha, Kammala South, Waikkal. The Company is a part of the Browns Hotels and Resorts group.

VISION, MISSION AND CORPORATE CONDUCT

The Vision and Mission statements are given on page 2 of this Annual Report.

The Company conducts its business activities at a high level and maintains ethical standards in achieving its vision and mission. The Board of Directors of the Company as well as its employees have pledged to abide by and comply with the respective Codes of Conduct and Ethics.

PRINCIPAL ACTIVITY

The Company's principal activity is carrying on the business of a Hotelier in the name of Club Hotel Dolphin in Waikkal. The Directors to the best of their knowledge and belief confirm that the Company has not been engaged in any activity that contravenes laws and regulations.

CORPORATE GOVERNANCE & INTERNAL CONTROL

Through participation in various workshops / forums and updates from the Company Secretaries and the Management, the Board of Directors keeps abreast of laws, rules, regulations and changes thereto, particularly to the listing rules and applicable capital market provisions. The Corporate Governance practices of the Company are given on pages 56 to 65 of the Annual Report.

The Board of Directors declare that they have conducted a review of the internal controls covering financial, operational and compliance controls and risk management through the Audit Committee.

The Enterprise Risk Management Division (ERM) periodically assesses procedures in relation to established guidelines for risk management and internal controls. The Audit Committee receives the ERM findings and any flaws or vulnerabilities found are communicated with the pertinent operational staff to ensure that the gravity of the position is understood by all and to expedite remedial action. Decisions are followed up on at later Board or Committee meetings. For the year under review, the Directors affirm that they have received a reasonable guarantee of their effectiveness and successful adherence.

FIT & PROPER ASSESSMENT

All Directors have submitted written declarations confirming that they are fit and proper to serve as Board Members.

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The Directors are responsible for the preparation of Financial Statements of the Company to reflect a true and fair view of the state of its affairs. The Directors are of the view that the financial statements have been prepared in accordance with the requirements of the Sri Lanka Accounting Standards, the Companies Act No. 7 of 2007 and the listing rules of the Colombo Stock Exchange. The financial statements together with the notes thereon are given on pages 78 to 126.

GOING CONCERN

The Board having considered the financial position, operating conditions, regulatory and other factors and such matters required to be addressed by the Corporate Governance Rules, have a reasonable expectation that the Company possesses adequate resources to continue its operations for the foreseeable future. For this reason, the Company continues to adopt the 'Going Concern' basis in preparing the Financial Statements.

MATERIAL ACCOUNTING POLICIES

The Financial Statements for the period ended 31 March 2026 have been prepared in accordance with the Sri Lanka Accounting Standards which were in effect up to that date. The Accounting Policies adopted in the preparation of these Financial Statements are given from pages 87 to 97.

PROPERTY PLANT & EQUIPMENT

Details of the Company's Property Plant & Equipment are found on pages 104 to 107.

MARKET VALUE OF PROPERTIES

Revaluations are made with sufficient regularity for land and buildings owned by the Group and the Company by independent professional valuers. A detailed description is given in Note 11.8 to the Financial Statements.

STATED CAPITAL

The Stated Capital of the Company as at 31 March 2026 amounted to Rs. 948,644,310/- divided into 63,242,954 ordinary shares.

RESERVES

The total Group/Company Reserves as at 31st March 2026 amounts to Rs. 3,711,722,588 by comparison to Rs. 3,485,186,286 in the previous year.

TAXATION

Income tax expense for the Company is Rs. 56,926,417 compared to Rs. 76,222,286 in the previous year. Taxation has been provided at the appropriate rates indicated in Note No 9 of the Financial Statements.

SHARE HOLDINGS / SHARE INFORMATION

The market value of an ordinary share of the Company as at 31st March 2026 was Rs. 39.90 (31st March 2025 – Rs. 45.70). The number of shareholders as at 31st March 2026 was 3,240 (31st March 2025 – 2,374).

The information in respect of earnings, dividends, net assets per share is given on page 17.

SHAREHOLDERS

It is the Group's policy to treat its shareholders equitably and maximise shareholder wealth. Quarterly returns of financial results with any developments or changes are hosted on the CSE website.

EMPLOYMENT POLICIES

The Company's employment policies respect individuals and provide equal career opportunities, regardless of sex, race, or religion, while maintaining a positive relationship with employees. The number of persons employed in the Company as of 31st March 2026 was 223 (31st March 2025 was 208). The Company promotes a culture of teamwork, integrity and dedication and remuneration is linked to performance by annual appraisals of both qualitative and quantitative performance of all employees.

HR INITIATIVES & STAFF ENGAGEMENT

The Company's HR initiatives and staff engagement during the year under review also included selecting the Employee of the Month, inter-department cricket tournaments to encourage teamwork and build camaraderie and strengthen the bonds across the Dolphin family as well as Outbound Training sessions and a Health Camp titled "Suwasathkara"

CUSTOMERS

The Company firmly believes in investing time and effort in discovering customer needs and providing those to them at the best price and fostering relationships and loyalty by consistently meeting the demand in the most effective manner. In other words, we believe in selling customer excellence.

SUSTAINABILITY AND ENVIRONMENT PROTECTION

The Group aims at minimising negative impacts on the environment while fostering cooperation and adherence to applicable authorities and regulations. In alignment with the Group policy and progressing towards adherence to the S1 and S2 standards, the Group has appointed an officer focused on sustainability, environmental protection, and CSR initiatives.

In this endeavour, during the year under review, the Company had completed several sustainability initiatives and CSR programs such as ;

» Restoration of the Gin Oya Nypa Fruticans mangrove, a pioneering biodiversity conservation initiative focused on the protection, restoration, and sustainable management of mangrove ecosystems along the Gin Oya estuary in Waikkal, implemented through a strong multi-stakeholder partnership involving Browns Hotels & Resorts, Club Hotel Dolphin, the Wildlife and Nature Protection Society (WNPS), Wayamba University of Sri Lanka, and Horizon Campus, Malabe. Through this collaborative approach, the project combines scientific research, environmental conservation, sustainable tourism, and community participation to ensure the long-term protection and restoration of the ecosystem.

» Supporting the local handicraft artisans of the area to display and sell their handmade creations to guests on World Tourism Day - 27th September 2025

» Providing an insightful educational field visit to undergraduates from Uva Wellassa University with a focus on key hotel operations

STATUTORY PAYMENTS

The Directors confirm that to the best of their knowledge, all contributions, levies and taxes payable on behalf of and in respect of the employees of the Company as at the reporting date have been paid, or where relevant, provided for in the Financial Statements.

The Company has also ensured that it has complied with the applicable laws and regulations including the Listing Rules of the Colombo Stock Exchange.

CORPORATE DONATIONS

Donations made by the Company during the year under review amounted to Rs. 127,453 (Rs. 200,425 in 2025).

DIRECTORS

The Directors of the Company during the year under review were as follows:

W D K Jayawardena	Chairman
D S K Amarasekera	Non-Executive Director
Dr. J M Swaminathan	Independent Director
S. Furkhan	Independent Director
T. Dharmarajah	Independent Director
R.L.E.C. Wijeratne	Non-Executive Director

The profiles of the Directors are given on pages 25 to 26.

DIRECTORS' MEETINGS

The Directors conduct Board Meetings at least once in a Quarter and as an when necessary. Board decisions are resolved by resolutions at meetings and by circulation. The Minutes of the Board Meetings, the Agenda for the next meeting and the Management Reports are circulated to all the Directors in advance of the meetings.

The Board and committee membership as well as the schedule of Directors' attendance at Board meetings and subcommittee meetings are appended below:

Director	Board	Audit Committee	Rem. Committee	RPTR Committee	Nomination Committee	Board Meeting Attendance			
						29.05.2025	14.08.2025	13.11.2025	12.02.2026
W. D. K. Jayawardena	✓*	✓	✓	✓	✓	✓	✓	✓	✓
R L E C Wijeratne	✓	-	-	-	-	✓	✓	✓	✓
D. S. K. Amarasekera	✓	-	-	✓	-	✓ (online)	-	✓ (online)	-
S Furkhan	✓	✓	✓	✓	✓	✓	✓	✓	✓ (online)
Dr. J. M. Swaminathan	✓	-	-	-	-	✓	✓	✓	✓
T Dharmarajah	✓	✓**	✓**	✓**	✓	✓	✓	✓	✓

** Committee Chairman

INTEREST REGISTER

In compliance with the requirements of the Companies Act No. 07 of 2007 an interest Register was maintained by the Company during the accounting period ended 31 March 2026.

The Directors confirm that all material interests in contracts involving the Company have been disclosed to the Board and wherever any Director is materially interested in a contract or proposed contract with the Company, they would refrain from voting on such contracts. During the year under review, the Company did not enter into any contract in which any Director was materially interested.

The declarations made by the directors confirm that there are no financial, business, family or other material/ relevant relationship(s) between Mr W D K Jayawardena, Chairman and amongst the other members of the Board. Other directorships held by the Directors in Sri Lanka are disclosed on pages 66 to 68.

DIRECTORS' INTEREST IN CONTRACTS

In terms of Section 192 (2) of the Companies Act, the Directors have declared their interest in contracts in the Company and have refrained from voting on matters in which they were materially interested. Directors' interest in contracts with the Company is disclosed on page 121 of the Annual report.

DIRECTORS' INTEREST IN SHARES

In compliance with Section 200 of the Companies Act, the Directors have disclosed their relevant interest in shares of the Company.

The Shareholding of the Directors during the financial year was as follows.

Director	As at 31.03.2026	As at 31.03.2025
W D K Jayawardena	-	-
D S K Amarasekera	-	-
Dr. J M Swaminathan	-	-
S Furkhan	-	-
T Dharmarajah	-	-
R L E C Wijeratne	-	-

DIRECTORS' REMUNERATION

The Directors were paid Rs. 2,100,000/- during the period under review. The Remuneration Committee Report is given on page 69 to 70.

RETIREMENT AND RE-ELECTION OF DIRECTORS

In terms of Article 90 of the Articles of Association of the Company, Mr. S Furkhan retires by rotation and being eligible, offers himself for re-election. The Directors recommend his re-election.

In terms of Article 90 of the Articles of Association of the Company, Mr. W D K Jayawardena retires by rotation and being eligible, offers himself for re-election. The Directors recommend his re-election.

In terms of Section 210 of the Companies Act No.7 of 2007 Dr J M Swaminathan who reached the age of 70 years in 2011 retires.

The Company has received notice from a shareholder of its intention to move a resolution to re-appoint Dr. Swaminathan as an Independent Director until the conclusion of the next Annual General Meeting in accordance with Section 211 of the Companies Act. The Board recommends his re-appointment, and it is hereby declared that the age limit of 70 years referred to in Section 210 of the Companies Act No. 7 of 2007 shall not apply to the said Director.

In terms of Section 210 of the Companies Act No.7 of 2007 Mr. T Dharmarajah who reached the age of 70 years in 2026 retires.

The Company has received notice from a shareholder of its intention to move a resolution to re-appoint Mr. Dharmarajah as an Independent Director until the conclusion of the next Annual General Meeting in accordance with Section 211 of the Companies Act. The Board recommends his re-appointment, and it is hereby declared that the age limit of 70 years referred to in Section 210 of the Companies Act No. 7 of 2007 shall not apply to the said Director.

BOARD SUB COMMITTEES

The Board has appointed the following sub committees for better monitoring and guidance of different aspects of operations and control:

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

Committee meetings facilitate more detailed discussion of specific areas, following which the Committees can make their recommendations to the Board. The Committees meet regularly and have put in place processes to ensure that relevant issues are reviewed periodically, and that all necessary information is called for.

On occasion, senior management officers are invited to Board Sub Committee meetings. This enhances discussion and the resolving of issues in a manner that facilitates not only improved performance but also strengthened controls.

The minutes of the committee meetings are tabled at Board meetings, so the entire Board can be kept aware and informed of the detailed discussions and be confident that relevant issues are receiving the focused attention they need.

The Reports of these Committees can be found on pages 69 to 76. and provide further details.

TRANSACTIONS WITH RELATED PARTIES

The Directors have disclosed transactions, if any, that could be classified as related party transactions in terms of LKAS 24. Related Party Transactions are disclosed in Note 25 to the Financial Statements. The Directors hereby confirm that to the best of their knowledge and information available to them, the Company has complied with the requirements of the rules relating to the related party transactions as contained in Section 9 of the listing rules of the Colombo Stock Exchange.

DIVIDENDS

The Directors have not recommended a payment of a dividend for the year under review.

AUDITORS

During the year under review Messrs. Deloitte Partners Chartered Accountants, served as the External Auditors of the Company.

In accordance with Section 154(1) of the Companies Act No. 7 of 2007, a resolution proposing the re-appointment of Deloitte Partners, Chartered Accountants, as the Auditors of the Company for the ensuing financial year will be proposed at the Annual General Meeting.

In terms of Section 155 (a) of the Companies Act No. 7 of 2007, a resolution authorising the Directors to fix the remuneration of the Auditors for the ensuing financial year will be proposed at the forthcoming Annual General Meeting.

The Directors have confirmed that to the best of their knowledge the Auditors have had no interest in or relationship with the Company apart from acting as external auditors. The auditors were paid Rs 1,365,000 as audit fee.

AUDITOR'S REPORT

The Auditor's report appears on pages 79-81.

DETAILS OF MATERIAL ISSUES PERTAINING TO THE EMPLOYEES & INDUSTRIAL RELATIONS OF THE ENTITY

During the year under review there were no material issues pertaining to Employees & industrial Relations other than those disclosed in Note 23 to the Financial Statements found on page 118.

RISK MANAGEMENT

The Company has put in place a process to identify, evaluate and manage any significant risks faced by the entity, where annual risk reviews had been carried out by the Group's Enterprise Risk Management Department. The principal risks and mitigating actions have been reviewed by the Audit Committee on a quarterly basis.

DECLARATION BY THE BOARD OF DIRECTORS IN TERMS OF RULE 9.17 OF THE LISTING RULES

The Directors declare that;

- As stated above under "Directors' Interest in Contracts", the Directors have declared all material interests in contracts with the Company and have refrained from voting on matters in which they were materially interested;

Internal Control & Risk Management

- The review of the internal controls framework covering financial, operational, compliance and risk management is conducted by the Internal Audit team, the results of which are reported to the Board Audit committee quarterly. Through the Audit committee, the Directors have obtained a reasonable assurance of the effectiveness of such Internal Controls and adherence thereto. The Risk Management review can be found on pages 32 to 34.

» Any change to applicable laws, rules and regulations including the Listing Rules and applicable capital market provisions are disseminated to the Board by the Company Secretaries which are discussed by the Board to ensure awareness, conformity and compliance with such laws and regulations.

Compliance with laws and regulations

» The Company has not engaged in any activity that contravenes any applicable law or regulation. There is no material non-compliance with laws or regulations and any fines, which are material, imposed by any government or regulatory authority in any jurisdiction where the Company has operations in.

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held as a virtual meeting emanating from the LOLC Board Room at 100/1 Sri Jayawardenapura Mawatha, Rajagiriya. The notice of meeting is included in this Annual Report.

ACKNOWLEDGMENT OF THE CONTENT OF THE REPORT

As required by Section 168 (1) (K) of the Companies Act No. 7 of 2007, the Board of Directors hereby acknowledges the contents of this Report.

For and on behalf of the Board of Dolphin Hotels PLC

W. D. K. Jayawardena
Chairman

R.L.E.C. Wijeratne
Non-Executive Director

13 August 2026

Corporate Governance

INTRODUCTION

Corporate Governance involves a set of relationships between a Company's management, its Board, its shareholders and other stakeholders. Corporate governance essentially involves balancing the interests of a company's many stakeholders and the community. As such, corporate governance encompasses practically every sphere of management, from action plans and internal controls to performance measurement and corporate disclosure.

THE COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

Dolphin Hotels PLC is fully aware and committed to implementing governance standards that conform to best practices. As part of the corporate culture, it engages and interacts with all the stakeholders in a way that promotes mutual trust, better understanding and good faith.

The main scope of the Company's Corporate Governance policies encompasses a clear description of duties and responsibilities among the Board of Directors, checks and balances, clear business roles and strategies within the Company, ethical business conduct, engagement with stakeholders through risk mitigation, upholding corporate social responsibility in sustained good corporate citizenship as well as disclosure of material information in a timely and accurate manner.

At each Board meeting, the CEO-BHRL presents a comprehensive update on performance, challenges and possible business opportunities. Quarterly reports to the Board give an overview of the external market and the Hotel's performance. This ensures that the Board has oversight across the business, allowing its governance processes to contribute strongly to the delivery of the Company's strategy.

CORPORATE GOVERNANCE FRAMEWORK

Having an effective corporate governance framework defines responsibilities, helps the Board to deliver the Group's strategy and is vital to its decision making. It supports long-term sustainable growth while operating within a framework of effective controls. Having the right systems and controls in place ensure that the Board and its Committees to effectively oversee the business, maintain the highest standards of corporate governance and allow Directors to provide challenge where necessary. The Board has overall responsibility for ensuring adequate resources are available to deliver its strategic priorities. The Board has a delegation of authority schedule in place to ensure the Board has the right level of oversight for matters that are material to the Company. The Board has established a risk management framework to manage and report the risks they face as a business, which are reviewed quarterly. The Board also undertakes a robust assessment of the Company's emerging and principal risks. Efficient internal reporting, effective internal controls and oversight of current and emerging risks are embedded in the business processes, which are aligned to the strategic priorities, purpose and values. The Board, with the support of its Committees, places great importance on ensuring they achieve a high level of governance across the Company. Directors are allowed to raise their concerns about the Company or a proposed action and oppositions if any are recorded in the Board minutes. Directors report actual or potential conflicts of interest to the Board for consideration and if such conflicts exist, Directors excuse themselves from consideration of the relevant matter. The Company maintains an interest register which is reviewed annually.

AUDIT, RISK AND INTERNAL CONTROL

The Board is responsible for ensuring the risks facing the BHRL Group are effectively identified and controlled through the work of the internal audit activities. The Board has continued to monitor the established risk management and internal control procedures to ensure that they continue to be appropriate and effective within the specific context of the Group's activities.

The Internal Auditors monitor and report on the adequacy of the Financial and Operational systems of the Company/Group, in order to strengthen internal controls. The Internal Audit team possesses the essential skills and experience relevant to the operations of the Company/Group. All of the internal audit activities are coordinated centrally by the LOLC-Enterprise Risk Management Team.

The Audit Committee assists the Board in discharging its responsibilities with regard to external and internal audit activities and controls including reviewing audit reports, internal controls and risk management systems. The Audit Committee is satisfied that the Group's risk management and internal control framework in relation to the Group's risk profile and strategy was effective and adequate. The Board therefore remained satisfied that the system of internal control continued to be effective in identifying and assessing the various risks to the Group and in monitoring and reporting progress on their potential impact.

Some of the policies which play a key role in this respect are:

a) Code of Business Conduct and Ethics

This applies to all the employees of the Company. The code ensures that there is no conflict of interest where individuals' interest conflicts with the interests of the Company, and makes timely disclosure of such situations; maintains confidentiality of information, ensures fair dealing with the Company's customers and suppliers and refrains from any unfair dealing and manipulations, thereby promoting ethical behaviour within the Company.

b) IT Governance

The Company believes that IT environment and the controls over this are the fundamental building block upon which our internal control environment is built. The strong IT governance structure in place at Browns Hotels & Resorts group ensures that the effective and efficient use of IT enables the Company to create innovations to increase our digital savviness across the business. LOLC Technology Services Limited (LOITS), a subsidiary of the Parent Company, LOLC Holdings PLC provides the IT related services to the Company.

BOARD INDEPENDENCE

In accordance with the requirements of the Listing Rules of the Colombo Stock Exchange, each Non-Executive Director has submitted a declaration relating to his/her independence.

The Company benefits from the multiplicity of skills the Directors bring to the discussion, which range from in-depth knowledge of the local leisure industry, leisure sector trends including global trends, financial disciplines and the regulatory and legal framework.

To facilitate more detailed discussion, the Board has appointed Board sub committees. Details of these Sub Committees are provided in the individual Committee Reports on pages 69 to 76.

The Directors' profiles, shareholding and other information relating to the Board are given in the Annual Report of the Board of Directors on pages 25 to 26.

AUDITORS

M/s Deloitte Partners, Chartered Accountants served as the External Auditors of the Company for the reporting year. The Company has the necessary mechanisms in place to ensure the independence of the External Auditors, and the Audit Committee verifies that the services provided by the Auditors comply with applicable legislation. The Auditors have confirmed that they are independent in accordance with the Code of Ethics of the Institute of Chartered Accountants of Sri Lanka.

The Directors have confirmed that to the best of their knowledge the Auditors have had no interest in or relationship with the Company or its subsidiaries other than that of being External Auditors.

During the year under review Deloitte Partners Chartered Accountants were paid Rs. 2,300,403 /- as Audit fees.

Auditors have expressed their willingness to continue in office. A resolution to re-appoint them and to authorize the Directors to determine their remuneration will be proposed at the forthcoming Annual General Meeting.

STAKEHOLDERS

The Board is conscious of its relationship with all stakeholders, including the community within which it operates. Apart from aiming to be a model corporate citizen, with sustainable and ecofriendly practices, the hotel enhances and uplifts staff standards and morale through regular training and improved facilities. This facilitates improvements in service levels, thereby enriching the guest experience. Satisfied guests, apart from providing repeat business, also act as ambassadors for the hotel.

SHAREHOLDER RELATIONS

The Company reports formally to shareholders in a number of ways. Significant matters relating to trading or development of the business, and routine reporting obligations, are disseminated by way of Stock Exchange announcements and by press releases. The Board considers the Annual General Meeting as a prime opportunity to communicate with shareholders. Shareholders are given the opportunity of exercising their rights at the Annual General Meeting. Each resolution brought before the shareholders at the Annual General Meeting is voted on separately by them. The notice of the Annual General Meeting and the relevant documents required are published within the statutory period. The Annual General Meeting provides an opportunity for shareholders to seek and obtain clarifications and information on the performance of the Company. The External Auditors are also present at the Annual General Meeting to render any professional assistance that may be required. Shareholders who are not in a position to attend the Annual General Meeting in person are entitled to have their voting rights exercised by a proxy of their choice. Shareholders can also contact the Company directly via a dedicated email address or via dedicated telephone numbers, provided on the inside back cover of this report. The Company's website also contains information for institutional and retail shareholders alike. The Company's Registrars provides access facility for registered shareholders, providing details of their shareholdings. Facilities are also provided for shareholders to lodge proxy appointments electronically.

CORPORATE SOCIAL RESPONSIBILITY

The Board actively takes part in defining and overseeing the corporate culture and values, particularly in the corporate social responsibility policy. The Board continuously reviews the policies for sustainability, corporate culture and values, and on relations with stakeholders, especially employees and customers. The corporate social responsibility policy is structured in line with the business strategy and risk appetite and putting into place mechanisms to ensure that all Group entities know how they fit into these strategies and that their processes and mechanisms are consistent with those of the policy of the Ultimate Parent.

BOARD SUB COMMITTEES

The Board has delegated specific responsibilities to sub committees. The main statutory committees are each chaired by an Independent Director, focusing on specific areas of the Board's responsibilities.

AUDIT COMMITTEE

Provides independent Assessment and oversight of financial reporting processes. It oversees, on behalf of the Board, the risk management strategy, risk appetite and the effectiveness of internal control processes. It also oversees the effectiveness of the internal and external audit functions.

REMUNERATION COMMITTEE

Reviews and recommends the policy on remuneration of the Board. Monitors the implementation of the Remuneration Policy. Oversees general pay practices across the Group.

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

Reviews and recommends the policy on all Related Party Transactions practices across the Group

NOMINATIONS & GOVERNANCE COMMITTEE

Reviews and recommends all new Board appointments/re-elections.

Reviews Annual evaluations of Board members

Committee meetings facilitate more detailed discussion of specific areas, following which the Committees can make their recommendations to the Board. The Committees meet regularly and have put in place processes to ensure that relevant issues are reviewed periodically and that all necessary information is called for. On occasion, senior management officers are invited to Board Sub Committee meetings.

This enhances discussion and the resolution of issues in a manner that facilitates not only improved performance but also strengthened controls.

The composition of the Board sub-committees as at date are as follows:

Audit Committee	Related Party Transactions Review Committee	Remuneration Committee	Nominations & Governance Committee
02 Independent Directors	**02** Independent Directors	**02** Independent Directors	**02** Independent Directors
01 Non-Executive Director	**02** Non-Executive Directors	**01** Non-Executive Director	**01** Non-Executive Director

The Reports of these Committees can be found on pages 69 to 76 and provide further details.

ASSURANCE OF COMPLIANCE

The Board, through the Legal and Secretarial Divisions, the Group Finance Division and its other operating structures, monitors and assesses the level of compliance of the Company with laws and regulations. It also reviews the changes in regulations and strives to ensure that the Company is in compliance with the regulatory requirements of the country. The Board receives updated reports on compliance at each Board meeting held after a Financial Quarter with regard to the significant legal and regulatory frameworks that are applicable to its operations. When carrying out the function of compliance, the Internal and External audit as well as Board Committees also play a vital role in the governance structure of the Company.

The Board confirms that the Company is compliant with the Corporate Governance requirements of the Colombo Stock Exchange ("CSE"), SEC and the Companies Act No. 7 of 2007, the Articles of Association and rules and regulations of other Authorities such as the Department of Inland Revenue.

Set out below is the extent to which the Company complies with Section 9 of the Listing Rules of the Colombo Stock Exchange

Sec No.	Rules of the Colombo Stock Exchange	Level of compliance
9.1.3	All Listed Entities shall publish a statement confirming the extent of compliance with the Corporate Governance Rules set out herein, in the Annual Report of the Entity.	Complied with The Company's commitment to the Corporate Governance Code of the CSE is detailed herein.
9.2	Policies	
9.2.1	Listed Entities 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 Entity on its website; a) Policy on the matters relating to the Board of Directors b) Policy on board Committees c) Policy on Corporate Governance, Nominations and Re- election d) Policy on Remuneration e) Policy on Internal Code of Business conduct and Ethics for all Directors and employees, including policies on trading in the Entity's Listed Securities f) Policy on Risk management and Internal Control g) Policy on Relations with Shareholders and Investors h) Policy on Environmental, Social and Governance Sustainability i) Policy on Control and Management of Company Assets and shareholder Investments j) Policy on Corporate Disclosures k) Policy on Whistleblowing l) Policy on Anti- Bribery and Corruption	Complied with All policies are now hosted in the Corporate Website https://www.brownshotels.com/investor-Relations.
9.3	Board Committees	
9.3.1	Listed Entities shall ensure that the following Board committees are established and maintained at a minimum and are functioning effectively. The said Board committees at minimum shall include; (a) Nominations and Governance Committee (b) Remuneration Committee (c) Audit Committee (d) Related Party Transactions Review Committee	Complied with The Committees are already in place and are functioning effectively:
9.3.2	Listed Entities shall comply with the composition, responsibilities and disclosures required in respect of the above Board committees as set out in these Rules.	Complied with
9.3.3	The Chairperson of the Board of Directors of the Listed Entity shall not be the Chairperson of the Board Committees referred to in Rule 9.3.1 above.	Complied with Mr W D K Jayawardena serves as the Chairman of the Company while Mr T Dharmarajah -Independent Director serves as the Committee Chairman.

Sec No.	Rules of the Colombo Stock Exchange	Level of compliance
9.4	**Adherence to principles of democracy in the adoption of meeting procedures and the conduct of all General Meetings with shareholders**	
9.4.1	Listed Entities shall maintain records of all resolutions and the following information upon a resolution being considered at any General Meeting of the Entity. a) The number of shares in respect of which proxy appointments have been validly made; b) The number of votes in favour of the resolution; c) The number of votes against the resolution; and d) The number of shares in respect of which the vote was directed to be abstained.	Complied with Records of all shareholder meetings are maintained by the Company Secretaries. Copies of these records would be made available to CSE/ SEC upon request.
9.4.2	**Communication and relations with shareholders and investors**	
(a)	Listed Entities shall have a policy on effective communication and relations with shareholders and investors and disclose the existence of the same in the Annual Report and the website of the Listed Entity	In terms of Rule 9.2.1, a policy on Relations with Shareholders and Investors is in place and hosted on the website.
(b)	Listed Entities shall disclose the contact person for such communication.	Complied with The contact person is notified to the public on the Group's website.
9.5	**Policy on matters relating to the Board of Directors**	
	Listed Entities to establish and maintain a formal policy governing matters relating to the Board of Directors.	Complied with In terms of Rule 9.2.1. a policy on matters relating to the Board of Directors is in place and hosted on the website. The Company has a well constituted Board as required by the rule.
9.6	**Chairman and CEO**	
9.6.1	The Chairperson of every Listed Entity shall be a Non-Executive Director and the position of the Chairperson and CEO shall not be held by the same individual, unless otherwise a SID is appointed by such Entity in terms of Rule 9.6.3 below.	Complied with The Chairman, Mr Kapila Jayawardena is a Non-Executive Director. The positions of Chairman and CEO are held by two separate individuals.
9.6.3	**The Requirement for a SID**	
(a)	A Listed Entity shall appoint an Independent Director as the SID in the following instances: i. The positions of the Chairperson and CEO are held by the same individual. ii. The Chairperson is an Executive Director. iii. The Chairperson and CEO are Close Family Members or Related Parties.	Noted for compliance should the need arise.

Sec No.	Rules of the Colombo Stock Exchange	Level of compliance
9.7	Fitness of Directors and CEOs	
9.7.1-9.7.4	The Listed Entities 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:	Complied with All the Directors have submitted written declarations confirming that they are fit and proper to hold their respective positions in the Company.
9.8	Board Composition	
9.8.1	The Board of Directors of a Listed Entity shall, at a minimum, consist of five (05) Directors.	Complied with The Board comprises 6 Directors
9.8.2	Minimum Number of Independent Directors: The Board of Directors of Listed Entities 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.	Complied with The Board comprises 3 Independent Directors and 3 Non-Executive Directors
9.8.5	The Board of Directors of Listed Entities shall require: a) Each Independent Director to submit a signed and dated declaration annually of his or her "independence" or "non-independence" against the criteria specified herein and in the format in Appendix 9A, containing at a minimum the content prescribed therein. b) Make an annual determination as to the "independence" or "non-independence" of each Independent Director based on the Directors` declaration and other information available to it and shall set out the names of Directors determined to be' independent' in the Annual Report. c) If the Board of Directors determines that the independence of an Independent Director has been impaired against any of the criteria set out in Rule 9.8.3, it shall make an immediate Market Announcement thereof	Complied with All Independent Directors have submitted annual declarations confirming their independence against the criteria specified in Appendix 9A Complied with The following board members serve as Independent Directors Dr. J M Swaminathan S. Furkhan T. Dharmarajah Agree to comply should the need arise.

Sec No.	Rules of the Colombo Stock Exchange	Level of compliance
9.9	Alternate Directors	
	If a Listed Entity provides for the appointment of alternate Directors, it shall be required to comply with the following requirements and such requirements shall also be incorporated into the Articles of Association of the Entity: a) Alternate directors shall only be appointed in exceptional circumstances and for a maximum period of one (1) year from the date of appointment. b) If an Alternate Director is appointed for a Non-Executive Director such alternate should not be an executive of the Listed Entity. c) If an Alternate Director is appointed by an Independent Director, the person so appointed should meet the criteria of independence specified in these rules and the Listed Entity shall satisfy the requirements relating to the minimum number of Independent Directors specified in these rules. The Nominations and Governance Committee shall review and determine that the person nominated as the alternate would qualify as an Independent Director before such appointment is made. d) The Listed Entity shall make an immediate Market Announcement regarding the appointment of an Alternate Director. e) The attendance of any Alternate Director at any meeting, including a Board Committee Meeting shall be counted for the purpose of quorum.	No Alternate Directors have been appointed to the Board thus far. Agree to comply should the need arise.
9.10	Disclosures Relating to Directors	
9.10.1	Listed Entities shall disclose its policy on the maximum number of directorships it's Board members shall be permitted to hold in the manner specified in Rule 9.5.1.	Complied with The maximum number of directorships a Board member is permitted to hold includes 10 Specified Business Entities (SBE) and 10 non-SBEs. This is specified in the Policy on Matters Relating to the Board of Directors which is hosted on the corporate website.
9.10.2	Listed Entities shall, upon the appointment of a new Director to its Board, make an immediate Market Announcement setting out the following; i) a brief resume of such Director; ii) his/her capacity of directorship; and, iii) Statement by the Entity indicating whether such appointment has been reviewed by the Nominations and Governance Committee of the Entity.	Complied with All new appointments to the Board are immediately disclosed and disseminated to the market, in compliance with Rule 9.10.2 including a statement that such appointments have been reviewed by the Nominations & Governance Committee

Sec No.	Rules of the Colombo Stock Exchange	Level of compliance
9.11	Nominations and Governance Committee	
	The Company shall have a Nomination and Governance Committee to maintain a formal procedure for the appointment of new Directors and re-election of directors to the Board together with written Terms of Reference.	Complied with In terms of Rule 9.2.1. a policy for the appointment and re-election of Directors is in place and hosted on the website.
9.11.1	Listed Entities shall have a Nominations and Governance Committee that conforms to the requirements set out in Rule 9.11 of the Rules.	Complied with A Nominations & Governance Committee is in place. As of 31st March 2026, the Committee comprised 3 Non-Executive Directors of whom 2 are Independent. Please refer the Report of the Nominations & Governance Committee published in this report.
9.11.2	Listed Entities shall establish and maintain a formal procedure for the appointment of new Directors and re-election of Directors to the Board through the Nominations and Governance Committee.	
9.11.3	The Nominations and Governance Committee shall have a written terms of reference clearly defining its scope, authority, duties and matters pertaining to the quorum of meetings.	
9.11.4	Composition : 1) The members of the Nominations and Governance Committee shall; a) comprise of a minimum of three (03) Directors of the Listed Entity, out of which a minimum of two (02) members shall be Independent Directors of the Listed Entity. b) not comprise of Executive Directors of the Listed Entity. 2) An Independent Director shall be appointed as the Chairperson of the Nominations and Governance Committee by the Board of Directors. 3) The Chairperson and the members of the Nominations and Governance Committee shall be identified in the Annual Report of the Listed Entity.	
9.12	Remuneration Committee	
9.12.1- 9.12.4	Listed Entities shall have a Remuneration Committee that conforms to the requirements set out in Rule 9.12 of the Rules.	Complied with Please refer the report of the Remuneration Committee for details.
9.12.6	Composition: 1) The members of the Remuneration Committee shall; a) comprise of a minimum of three (03) Directors of the Listed Entity, out of which a minimum of two (02) members shall be Independent b) not comprise of Executive Directors of the Listed Entity 2) An Independent Director shall be appointed as the Chairperson of the Remuneration Committee by the Board of Directors.	Complied with Please refer Committee Report for details.

Sec No.	Rules of the Colombo Stock Exchange	Level of compliance
9.13	Audit Committee	
9.13.1 & 9.13.2	Where Listed Entities do not maintain separate Committees to perform the Audit and Risk Functions, the Audit Committee of such Listed Entities shall additionally perform the risk functions set out in rule 9.13 of these rules. The Audit Committee shall have a written terms of reference clearly defining its scope, authority and duties.	Complied with The Audit Committee has oversight of the risk function, in addition. The Audit Committee functions in terms of a board approved Audit Charter.
9.13.3	Composition :	Complied with
	1) The members of the Audit Committee shall;	
	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.	As of 31st March 2026, the Committee comprised 3 Non-Executive Directors of whom 2 are independent.
	b) not comprise of Executive Directors of the Listed Entity.	
	2) The quorum for a meeting of the Audit Committee shall require that the majority of those in attendance to be independent directors.	Complied with
	3) The Audit Committee may meet as often as required provided that the Audit Committee compulsorily meets on a quarterly basis prior to recommending the financials to be released to the market.	The Committee met 4 times during the financial year ended 31st March 2026
	4) An Independent Director shall be appointed as the Chairperson of the Audit Committee by the Board of Directors.	Mr T Dharmarajah-Independent Director functions as the Audit Chair.
	5) Unless otherwise determined by the Audit Committee, the CEO and the Chief Financial Officer (CFO) of the Listed Entity shall attend the Audit Committee meetings by invitation. Provided however where the Listed Entity maintains a separate Risk Committee, the CEO shall attend the Risk Committee meetings by invitation.	CEO BHRL & Head of-Finance attend the Audit Committee meetings by invitation
	6) The Chairperson of the Audit Committee 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.	Complied with Mr T Dharmarajah-Audit Chair is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka, Fellow Member of AAT and Fellow Member of the Institution of Public Finance and Development Accountancy
9.13.4 & 9.13.5	Functions and Annual Report Disclosures of the Audit Committee.	Complied with Please refer Committee Report on Page 71 to 72
9.14	Related Party Transactions Review Committee	
9.14.1	Listed Entities shall have a Related Party Transactions Review Committee that conforms to the requirements set out in Rule 9.14 of these Rules.	Complied with

Sec No.	Rules of the Colombo Stock Exchange	Level of compliance
9.14.2 & 9.14.3	Composition & Functions: The Related Party Transactions Review Committee shall comprise of a minimum of three (3) Directors of the Listed Entity, out of which two (02) members shall be Independent Directors of the Listed Entity. It may also include executive directors, at the option of the Listed Entity. An Independent Director shall be appointed as the Chairperson of the Committee.	Complied with As of 31st March 2026 the Committee comprised 04 Non-Executive Directors of whom 2 are Independent and is chaired by Mr T Dharmaraja- Independent Director. The Committee functions in accordance with the recommended rules.
9.14.4	General Requirements	
	1) The Related Party Transactions Review Committee 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.	Complied with The Committee met 4 times during the financial year ended 31st March 2026 with minutes accurately documents and communicated to the board during board meetings.
	2) The members of the Related Party Transactions Review Committee should ensure that they have, or have access to, enough knowledge or expertise to assess all aspects of proposed Related Party Transactions, and where necessary, should obtain appropriate professional and expert advice from an appropriately qualified person.	Complied with
	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.	Noted for compliance
	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 be present while the matter is being considered at the meeting; and vote on the matter.	Noted for compliance should the need arise.
9.14.5	Review of Related Party Transactions by the Related Party Transactions Review Committee	Complied with All related party transactions are reviewed prior to obtaining board approval and tabled at quarterly committee meetings, in addition. These Minutes are also noted by the board at the following board meeting.
9.14.6	Shareholder Approval	
	The Company shall obtain shareholders' approval by way of a special resolution for the Related Party Transactions as soon as the value of the transaction exceeds threshold limits as set out in the regulations	During the year under review, there were no such transactions, which required shareholder approval. Noted for compliance should the need arise.
9.17	Additional Disclosures	Please refer report of the Board of Directors on page 25

Directors' Disclosures in Terms of Section 9.10.4 (e)

Name of the Director	Number of Board Seats held in Other Companies	Designation
W D K Jayawardena	LOLC Holdings PLC	Group Managing Director/ CEO
	Eden Hotel Lanka PLC	Non-Executive Chairman
	Palm Garden Hotels PLC	Non-Executive Chairman
	Serendib Hotels PLC	Non-Executive Chairman
	Hotel Sigiriya PLC	Non-Executive Chairman
	Brown & Company PLC	Non-Executive Director
	Browns Investments PLC	Non-Executive Director
	LOLC International Private Limited	Non-Executive Director
	LOLC Life Assurance Ltd	Non-Executive Chairman
	LOLC Advanced Technologies (Pvt) Ltd	Non-Executive Director
	LOLC Global Pvt Ltd	Non-Executive Director
	LOLC Asia Private Limited	Non-Executive Director
	Patronaus Wealth Holdings Ltd	Non-Executive Director
	Ceylon Graphene Technologies (Pvt) Ltd	Non-Executive Director
	LOLC Africa Holdings Private Limited	Non-Executive Director
	Leapstitch Technologies (Private) Limited	Non-Executive Director
	LOLC Securities Ltd	Non-Executive Chairman
Dr. J M Swaminathan	Eden Hotel Lanka PLC	Non-Executive Director
	Palm Garden Hotels PLC	Non-Executive Director
	Serendib Land PLC	Independent Director
	Serendib Hotels PLC	Independent Director
	Hotel Sigiriya PLC	Independent Director
	CIC Agri Business (Pte) Limited	Non-Executive Director
	Frontier Capital Lanka (Private) Limited	Non-Executive Director
	Kammala Hoteliers (Private) Limited	Non-Executive Director
	Sanctuary Resorts Lanka (Private) Limited	Non-Executive Director
	Serendib Leisure Management Limited	Non-Executive Director
	LOLC Securities Limited	Non-Executive Director
	Finetex (Pvt) Ltd	Non-Executive Director
	LOLC Ceylon Holdings Limited	Non-Executive Director
	Lanka Aluminium Industries Ltd	Non-Executive Director
	Lanka Investment & Management Service (Pte) Ltd	Non-Executive Director
	Alpha Apparels Ltd	Non-Executive Director
	Colonial Motors (Ceylon) Ltd	Non-Executive Director

Directors’ Disclosures in Terms of Section 9.10.4 (e)

Name of the Director	Number of Board Seats held in Other Companies	Designation
D S K Amarasekera	Browns Investments PLC	Non-Executive Director
	Eden Hotel Lanka PLC	Non-Executive Director
	Palm Garden Hotels PLC	Non-Executive Director
	Serendib Hotels PLC	Non-Executive Director
	Hotel Sigiriya PLC	Non-Executive Director
	Hapugastenne Planatations PLC	Non-Executive Director
	Udapusellawa Plantations PLC	Non- Executive Director
	Tea Smallholder Factories PLC	Non- Executive Director
	Sun & Fun Resorts Ltd	Non- Executive Director
	Green Paradise (Pvt) Ltd	Non- Executive Director
	Frontier Capital Lanka (Private) Limited	Non- Executive Director
	Excel Restaurants (Pvt) Ltd	Non- Executive Director
	Riverina Resorts (Pvt) Ltd	Non- Executive Director
	Samudra Beach Resorts (Pvt) Ltd	Non- Executive Director
	Sanctuary Resorts Lanka (Private) Limited	Non- Executive Director
	Sansun Boutique Hotels Ltd	Non- Executive Director
	Serendib Leisure Management Limited	Non- Executive Director
	Three Tips Ella (Pvt) Ltd	Non- Executive Director
R L E C Wijeratne	Palm Garden Hotels PLC	Non-Executive Director
	Three Tips Ella (Pvt) Ltd	Non-Executive Director
	Millennium Development (Pvt) Ltd	Non-Executive Director
	Excel Restaurants (Pvt) Ltd	Non-Executive Director
	Green Paradise (Pvt) Ltd	Non-Executive Director
	Riverina Resorts (Pvt) Ltd	Non-Executive Director
	Sun & Fun Resorts Ltd	Non-Executive Director
	Sansun Boutique Hotels Ltd	Non-Executive Director
	Samudra Beach Resorts (Pvt) ltd	Non-Executive Director
	Browns Hotels & Resorts Limited	Non-Executive Director
	Dickwella Resorts (Pvt) Ltd	Non-Executive Director
	Tropical Villas (Pvt) Ltd	Non-Executive Director

Directors' Disclosures in Terms of Section 9.10.4 (e)

Name of the Director	Number of Board Seats held in Other Companies	Designation
Stefan Furkhan	Eden Hotel Lanka PLC	Non-Executive Director
	Hotel Sigiriya PLC	Independent Director
	Confifi Capital (Pvt) Limited	Chairman
	Confifi Management Services (Pvt) Ltd	Chairman
	Quantum Asset Management (Pvt) Ltd	Chairman
	Raddison Blue Resort- Galle	Non-Executive Director
	Raddison Hotel- Colombo	Non-Executive Director
	Raddison Hotel- Kandy	Non-Executive Director
	Sino Lanka Hotels Holdings (Pvt) Ltd	Non-Executive Director
	Travelanka (Pvt) Ltd	Chairman
	Adam & Eve (Pvt) Ltd	Non-Executive Director
	MTA Furkhan Foundation	Director
T Dharmarajah	Hotel Sigiriya PLC	Independent Director
	Palm Garden Hotels PLC	Independent Director
	Eden Hotel Lanka PLC	Independent Director
	Serendib Hotels PLC	Independent Director
	Browns Investments PLC	Independent Director
	Udapussellawa Plantations PLC	Independent Director
	Hapugastenna Plantations PLC	Independent Director
	Renuka City Hotels PLC	Non Executive Director
	Tea Smallholder Factories PLC	Independent Director
	Amerasekera & Company	Non Executive Director
	DHS Medical Group (Pvt) Limited	Non Executive Director
	Management Applications (Pvt) Limited	Non Executive Director
	Lotus Tower Management Co. Ltd	Non-Executive Director

Report of the Remuneration Committee

The Remuneration Committee is a sub committee of the Board, appointed in terms of the Listing rules. The Committee supports the Board in establishing a fair, transparent, and performance-driven remuneration framework aligned with the Company's long-term strategic objectives and shareholder interests.

KEY HIGHLIGHTS – FY 2025/26

- Reviewed effectiveness of remuneration policies and practices
- Confirmed alignment of remuneration with Company performance and strategy
- Ensured competitiveness to attract and retain talent
- Strengthened linkage between rewards and performance outcomes
- Considered employee development and training initiatives
- Maintained transparent and governance-aligned remuneration framework

COMMITTEE COMPOSITION AND INDEPENDENCE

As of 31 March 2026, the Committee comprised entirely of Non-Executive Directors, with a majority being Independent.

T Dharmarajah	Committee Chairman	Independent Director
S Furkhan	Committee Member	Independent Director
W D K Jayawardena	Committee Member	Non-Executive Director

The Board is satisfied that the Committee has the appropriate expertise and independence to discharge its responsibilities effectively.

TERMS OF REFERENCE

The Company has a Board approved Remuneration Policy, and the principles of this policy are taken into account in Committee deliberations. In terms of this Policy, the Committee reviews the Directors' remuneration annually and the Directors' fees decided upon are meant to serve as a recognition of the Directors' contribution to Board and Board sub-committee discussion and decision making.

ROLE & RESPONSIBILITIES

The Remuneration Committee assists the Board in the following areas:

- Remuneration Policy
  - Reviewing and recommending the remuneration framework for Directors and Key Management Personnel
  - Ensuring alignment between remuneration and Company performance
- Performance Alignment
  - Linking rewards to individual and organisational performance
  - Supporting long-term value creation and sustainability
- Market Competitiveness
  - Ensuring remuneration structures remain competitive to attract and retain talent
- Governance and Transparency
  - Promoting fairness, transparency, and consistency in remuneration practices

KEY ACTIVITIES DURING THE YEAR

During the financial year ended 31 March 2026, the Committee carried out the following activities:

- Reviewed the effectiveness of the Company's remuneration policies and practices
- Assessed whether remuneration structures appropriately support performance and strategic objectives
- Evaluated the alignment of rewards with long-term shareholder value creation
- Reviewed overall remuneration disclosures for inclusion in the Financial Statements

The Committee is satisfied that the remuneration framework remains appropriate to attract, retain, and motivate individuals capable of delivering the Company's strategic objectives.

TALENT RETENTION

The Committee also considered key human resource developments during the year, particularly in relation to capacity building and employee development.

Training initiatives undertaken during the year included areas such as:

- Customer service excellence
- Professional and technical skills development
- Health and Safety
- Leadership and performance management

These initiatives support the Company's performance culture and are aligned with its remuneration philosophy of linking rewards to capability and performance.

MEETINGS

The Committee met once during the financial year ended 31 March 2026, with full attendance by all members. Minutes of the Committee Meetings are noted at Board meetings, which enables the Committee to keep the Board informed of its comments and observations.

FUTURE OUTLOOK FOR 2026/2027

The Committee will continue to monitor market trends and regulatory developments in the interest of maintaining a transparent, performance-driven compensation structure that incentivises sustainable growth and creates enduring value for all stakeholders.

CONCLUSION

The Committee is satisfied that:

» The remuneration framework is aligned with the Company's strategic objectives

» Policies are fair, transparent, and competitive

» Remuneration practices support long-term sustainable performance

On behalf of the Committee

T Dharmarajah
Chairman - Remuneration Committee

13 August 2026

Report of the Audit Committee

The Audit Committee is a sub-committee of the Board, formally constituted in compliance with the Listing Rules of the Colombo Stock Exchange, with effect from 1 October 2024. The Committee supports the Board in ensuring the integrity of financial reporting, the effectiveness of internal controls, and the independence of audit functions.

KEY HIGHLIGHTS – FY 2025/26

» Four Committee meetings held with strong attendance

» Reviewed quarterly and annual financial statements

» Internal Audit Plan approved and regularly monitored

» Assessed effectiveness of internal controls and risk management framework

» Evaluated independence and performance of External Auditors

» No material weaknesses identified in financial reporting or controls

COMPOSITION

As at 31 March 2026, the Committee comprised solely of Non-Executive Directors, with a majority being Independent Directors. The Committee is chaired by an Independent Non-Executive Director.

T Dharmarajah	Committee Chairman	Independent Director
S Furkhan	Committee Member	Independent Director
D S K Amarasekera	Committee Member	Non-Executive Director

The Audit Chair is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka with extensive expertise in finance and accounting. The Board is satisfied that the Committee collectively has the necessary financial literacy, industry knowledge, and governance experience required to discharge its responsibilities effectively.

TERMS OF REFERENCE (TOR)

The Committee operates under a Board-approved Charter, which defines its authority, composition, and responsibilities. The Charter is reviewed periodically to ensure alignment with evolving regulatory requirements and emerging best practices.

ROLES AND RESPONSIBILITIES

The Audit Committee assists the Board in fulfilling its oversight responsibilities in the following areas:

i) Ensuring the quality and integrity of the Company's Financial Statements and financial reporting process, including the preparation, presentation and adequacy of disclosures in the Financial Statements in accordance with the Sri Lanka Accounting Standards.

ii) Monitoring the system of internal accounting and financial controls of the Company.

iii) Ensuring compliance with legal and statutory requirements including financial reporting requirements, disclosure requirements of the Companies Act and other relevant financial reporting related regulations and requirements.

iv) Overseeing the performance of Internal Audit functions including the process to ensure that the internal controls and risk management of the Company are adequate.

v) Assessing the independence and performance of the External Auditors of the Company and make recommendations to the Board pertaining to the appointment, re appointment or removal of External Auditors and their remuneration and approve terms of engagement.

GOVERNANCE & COMPLIANCE FRAMEWORK

Internal Audit

Internal Audit services are provided by the Group internal audit department.

The function operates independently reporting to the Audit Committee of the respective Company.

The Internal Audit Plan is risk-based and aligned with the Group's key priorities. The Committee reviews and approves the Plan annually and monitors progress throughout the year.

During the year, the Committee:

» Reviewed audit findings and management responses

» Monitored implementation of corrective actions

» Evaluated the effectiveness of the internal audit function

The Committee is satisfied that Internal Audit provides adequate assurance over the Group's risk management and control processes.

Internal Controls

The Committee reviewed the adequacy and effectiveness of the Company's internal control framework, based on reports from management, Internal Audit, and External Auditors.

The system of internal control is designed to manage, rather than eliminate, risk and provides reasonable assurance against material misstatement or loss.

The Committee concluded that:

» Controls were operating effectively

» Identified issues were promptly addressed

» No material weaknesses were noted

External Audit

M/s. Deloitte Partners continued as the Group's External Auditors for the 2025/26 financial year. The Committee reviewed the role of the External Auditors and the scope of its work. The Committee also considered the effectiveness of the External Auditors on an ongoing basis during the year. Amongst others, the review covered the Auditors' independence, objectivity and professional aspects. The Committee is satisfied that the External Auditors have been independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements, based on their annual declaration provided to the Committee.

The Committee oversees the process for approving all non-audit work provided by the External Auditors to safeguard the objectivity and independence of the auditors and comply with regulatory and ethical guidance. Details of fees charged by the External Auditors during the year under review are set out in Note 8 to the Financial Statements.

M/s. Deloitte Partners were first appointed in 2022 and re-appointed each year at the AGM. The Committee reviews the re-appointment of the External Auditors annually. Having considered the matters detailed above, the Committee recommended to the Board the reappointment of Deloitte Partners as the External Auditors of the Company for the financial year ending 31st March 2027 subject to the approval of the shareholders, at a remuneration to be agreed by the Board.

Risk Management

The Committee plays an active role in overseeing the Company's risk management framework.

During the year, the Committee:

- Reviewed principal and emerging risks
- Assessed the adequacy of mitigation strategies.
- Monitored developments in IT governance, cybersecurity, and control systems.
- Evaluated responsiveness to evolving business and regulatory environments.

The Committee is satisfied that a robust process is in place to identify, evaluate, and manage the Company's key risks.

MEETINGS & ATTENDANCE

Meetings of the Committee are scheduled to take place four times a year and occur in line with the financial and reporting cycles of the Company. Meetings are generally held prior to Board meetings so that optimum collaboration with the Board is maintained. Members and their attendance at meetings during the year are set out in the table below. Each meeting followed a distinct agenda to reflect the financial reporting cycle and particular matters for the Committee's consideration.

The invitations to attend Audit committee meetings are extended to all Directors including the Chair of the Board, the Group Chief Executive Officer, the Company Secretary, Head of Finance and DGM- Enterprise Risk Management. The External Auditors are invited prior to releasing the interim financial statements for the last quarter as well as to discuss key audit matters The Chair provides updates to the Board on the proceedings, considerations and findings of each meeting.

During the year under review four meetings were held and the attendance were as follows:

MEETING ATTENDANCE

Director	Attendance
T Dharmarajah (Committee Chairman)	4/4
D S K Amarasekera	2/4
S Furkhan	4/4

CONCLUSION:

Based on the work performed during the year, the Committee is satisfied that:

- Financial reporting processes are robust and reliable.
- Internal controls and risk management systems are effective.
- Audit functions operate independently and efficiently.

The Committee continues to support the Board in strengthening governance and maintaining high standards of transparency and accountability.

On behalf of the Committee

T Dharmarajah
Chairman - Audit Committee

13 August 2026

Report of the Nominations and Governance Committee

The Nominations & Governance Committee is a sub-committee of the Board, established to support the Board in maintaining effective governance practices and ensuring an appropriate composition of the Board and its Committees. The Committee plays a key role in promoting high standards of Corporate Governance and ensuring compliance with regulatory requirements.

KEY HIGHLIGHTS – FY 2025/26

» Ensured compliance with evolving Corporate Governance requirements.

» Reviewed and recommended Beneficial Ownership Policy in line with Companies Act amendments.

» Oversaw Board evaluation, Fit & Proper assessments, and independence confirmations.

» Continued implementation of Board Diversity Policy.

» Reviewed and recommended Directors for re-election at AGM.

» Confirmed full compliance with CSE Listing Rules on governance.

COMPOSITION AND INDEPENDENCE

As of 31 March 2026, the Committee comprised entirely of Non-Executive Directors, with a majority being Independent Directors.

All members were appointed to the Committee on 1st January 2025.

T Dharmarajah	Committee Chairman	Independent Director
S Furkhan	Committee Member	Independent Director
W D K Jayawardena	Committee Member	Non-Executive Director

The Board is satisfied that the Committee members possess the appropriate balance of skills, experience, and independence required to effectively discharge their responsibilities.

TERMS OF REFERENCE

The Company has a board approved Terms of reference which sets out its authority, composition, scope and responsibilities taking into consideration the Corporate Governance requirements set out in the Listing Rules of the Colombo Stock Exchange and are reviewed periodically to ensure continued relevance.

ROLE AND RESPONSIBILITIES

The primary mandate of the Committee is to assist the Board in fulfilling its oversight responsibilities regarding:

» Identifying and evaluating candidates qualified to become Board members.

» Revising the structure, size, and composition of the Board.

» Overseeing succession planning for the Board and Key Management Personnel (KMP).

» Reviewing and monitoring the Company's Corporate Governance framework and code of conduct.

» Evaluating the overall effectiveness and independence of the Board, its Committees, and individual Directors.

KEY ACTIVITIES DURING THE YEAR

During the financial year ended 31st March 2026, the Committee successfully executed the following key initiatives:

» **Governance and Regulatory Compliance:** The Committee monitored evolving Corporate Governance regulations and ensured that the Policy on Disclosure and Maintenance of Beneficial Ownership was reviewed and recommended for Board approval in line with the amended Companies Act No. 12 of 2025.

» **Board Evaluation & Independence:** During the year under review, the Board conducted its Fit & Proper Evaluations and Declaration of Independence on the directions of the Committee. Results of the Board evaluation were discussed by the committee and noted by the Board.

» **Board Diversity:** To ensure a well-rounded and effective Board, the Committee continued to implement the Board Diversity Policy, prioritising diversity in professional experience, skill sets, geographic knowledge, age, and gender.

» **Re-election of Directors:** The Committee reviewed the performance, fitness, and propriety of directors seeking re-election at the Annual General Meeting (AGM) and recommended their continuation on the Board.

As required by the Articles of Association of the Company the Committee recommended the following Directors for re-election at the Annual General Meeting:

» Mr W D K Jayawardena - re-election in terms of Article 90

» Mr. S Furkhan - re-election in terms of Article 90.

» Dr. J M Swaminathan who reached age 70 in 2011 - re-appointment in terms of Section 210 of the Companies Act No. 7 of 2007 subject to shareholder approval.

» Mr T Dharmarajah who reached age 70 in 2026 - re-appointment in terms of Section 210 of the Companies Act No. 7 of 2007 subject to shareholder approval.

The Committee ensures that all Directors are required to submit themselves for re-election at regular intervals and at least once in every three years in accordance with the provisions of the Articles of Association of the Company.

Information pertaining to Directors who have been proposed for re-election in terms of the Articles of Association (as required by Rule No. 9.11.6 of the Corporate Governance Rules of the Colombo Stock Exchange) are appended below:

Description	W D K Jayawardena (Article 90)	S. Furkhan (Article 90)	Dr. J M Swaminathan (Sec. 210 of the CA)	Mr. T Dharmarajah (Sec.210 of the CA)
Date of first appointment as a Director	11.02.2021	08.04.2024	11.02.2021	01.10.2024
Date of last re-election as a Director at an AGM	2021	2024	2025	2025
Board Committees Served on during the year under review	RPTRC, Rem Com, Nom Com	Audit, RPTRC, Rem Com, Nom Com	-	Audit, RPTRC, Rem Com, Nom Com
Present directorships in listed Companies	Please refer page 66	Please refer page 68	Please refer page 66	Please refer page 68
Any relationships including close family relationships between the Director proposed for re-election and other Directors, the Company or its Shareholders holding more than ten per centum (10%) of the shares of the Company	None	None	None	None

ASSESSMENT OF INDEPENDENCE

The Committee is of the opinion that M/s T Dharmarajah and S Furkhan have met the criteria for determining their independence based on their professionalism, conduct, expertise and experience. The said Directors have also submitted declarations in accordance with the requirements of the revised CSE Listing Rules 9.8.5. Based on the recommendation of the Committee the Board has endorsed that M/s T Dharmarajah & S Furkhan can appropriately be classified Independent Directors as of report date.

COMPLIANCE WITH THE LISTING RULES OF THE COLOMBO STOCK EXCHANGE

The Committee has received and reviewed reports from management regarding the Company's compliance with the Corporate Governance framework. Based on this review, the Committee confirms that, to the best of its knowledge, the Company has complied with all applicable Corporate Governance requirements set out in the Listing Rules of the Colombo Stock Exchange during the year under review.

CONCLUSION

The Committee is satisfied that:

» The Board composition remains appropriate and effective.

» Governance frameworks and policies are robust and compliant.

» Processes relating to Board evaluation, succession, and independence are operating effectively.

The Committee will continue to support the Board in strengthening governance practices and maintaining high standards of accountability and transparency.

On behalf of the Committee

T Dharmarajah
Chairman-Nominations & Governance Committee

13 August 2026

Related Party Transactions Review Committee

The Related Party Transactions Review Committee (RPTRC) is a sub-committee of the Board, established to ensure that all Related Party Transactions (RPTs) are conducted in compliance with regulatory requirements and in the best interest of the Company and its Stakeholders.

KEY HIGHLIGHTS – FY 2025/26

» Four Committee meetings held to review related party transactions.

» Monitored compliance with RPT Policy and CSE Listing Rules.

» Ensured timely and accurate disclosures in financial statements.

» No material transactions requiring shareholder approval.

» No instances of regulatory non-compliance identified.

COMPOSITION

T Dharmarajah	Committee Chairman	Independent Director
S Furkhan	Committee Member	Independent Director
W D K Jayawardena	Committee Member	Non-Executive Director
D S K Amarasekera	Committee Member	Non-Executive Director

The Board is satisfied that the Committee maintains an appropriate level of independence and expertise to oversee Related Party Transactions effectively.

ROLES AND RESPONSIBILITIES

The Committee assists the Board in the following areas:

» Reviewing all Related Party Transactions.

» Ensuring compliance with applicable Listing Rules and regulatory requirements.

» Approving transactions within delegated thresholds.

» Recommending transactions requiring shareholder approval.

» Overseeing timely and accurate disclosures.

POLICY FRAMEWORK

The Committee has established a Related Party Transactions Policy consistent with Rule 9.14.6 of the Listing Rules of the Colombo Stock Exchange.

Key principles include:

» **Transparency:** Clear and timely disclosures must be made.

» **Approval Thresholds:** Transactions exceeding specified thresholds are subject to Board or Shareholder approval.

» **Aggregation Rules:** Transactions with the same related party are aggregated for threshold assessment.

Approvals and Disclosure Framework includes;

(a) Shareholder Approval

» Non-recurrent transactions exceeding one-third (1/3) of total assets require shareholder approval

» Recurrent transactions exceeding one-third (1/3) of gross revenue require shareholder approval

» Aggregation rules apply for transactions with the same related party within a financial year

(b) Disclosure Requirements

» Immediate market disclosures are made for material transactions exceeding prescribed thresholds

» All Related Party Transactions are disclosed in note 25 to the Financial Statements in this Report in accordance with Section 9.14.8 of the Listing Rules and are found on page 118 to 120 of the Annual Report.

KEY ACTIVITIES DURING THE YEAR

During the financial year ended 31 March 2026, the Committee:

» Reviewed transactions presented by management to assess compliance with policy and regulatory requirements.

» Monitored adherence to the RPT Policy.

» Ensured that appropriate disclosures were made in the Financial Statements.

» In terms of Rule 9.14.8 (4) the Committee confirms that:

No transactions were identified that required shareholder approval.

No transactions were identified which required immediate disclosures.

No material non-compliance with applicable regulations was observed.

MEETING ATTENDANCE

Director	Attendance
T Dharmarajah	4/4
W D K Jayawardena	4/4
S Furkhan	4/4
D S K Amarasekera	2/4

Minutes of the Committee Meetings are noted at Board meetings, which enables the Committee to keep the Board informed of its comments and observations.

Related Party Transactions Review Committee

CONCLUSION

The Committee is satisfied that:

» Related Party Transactions are conducted in a transparent and compliant manner.

» Adequate processes are in place to identify, review, and monitor such transactions.

» Disclosure requirements have been met in accordance with applicable regulations.

The Committee will continue to strengthen oversight to ensure the highest standards of governance are maintained.

On behalf of the Committee

T Dharmarajah
Chairman - Related Party Transactions Review Committee

13 August 2026

FINANCIAL STATEMENTS

Statement of Directors' Responsibility in Relation to Preparing Financial Statements

FINANCIAL REPORTS

The Statement of Directors' responsibilities is to be read in conjunction with the Report of the Auditors and is made to distinguish the respective responsibilities of the Directors and of the Auditors in relation to the Financial Statements.

The Companies Act No. 7 of 2007 requires that the Directors to prepare and circulate amongst the Shareholders, Financial Statements which give a true and fair view of the state of affairs of the Company as at the Balance Sheet date and the profit and loss of the Company for the financial year.

The Directors are required to ensure that in preparing the Financial Statements;

» Appropriate accounting policies are used, selected and applied in a consistent manner, and material departures, if any, have been disclosed and explained.

» All applicable and relevant Accounting Standards have been followed.

» Judgements and estimates have been made which are reasonable and prudent.

The Directors confirm that the Company maintains accounting records with reasonable accuracy. The Financial Position of the Company and that Financial Statements have been prepared in accordance with the Companies Act No. 7 of 2007, Sri Lanka Accounting Standards and have provided the information required by or otherwise complied with the Listing Rules of the Colombo Stock Exchange.

The Directors having reviewed the Company's future financial projections, cash flows and current performance are satisfied that the Company has adequate resources to continue its operations in the foreseeable future. The Directors have thus adopted a 'Going Concern basis' in preparing the Financial Statements.

The Directors have also taken reasonable steps to safeguard the assets of the Company and to establish proper systems of internal control with a view to detect and prevent any irregularities.

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

COMPLIANCE REPORT

The Directors confirm that to the best of their knowledge, all statutory payments relating to employees and the Government that were due in respect of the Company as at the Balance Sheet date have been paid or where relevant provided for in the Financial Statements.

By Order of the Board of Dolphin Hotels PLC

W D K Jayawardena
13 August 2026

Independent auditor's report

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100 Braybrooke Place
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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF DOLPHIN HOTELS PLC

Report on the Audit of the Financial Statements

Opinion

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

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

Basis for Opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the *Code of Ethics for Professional Accountants* issued by the Institute of Chartered Accountants of Sri Lanka ("CA Sri Lanka Code of Ethics") and we have fulfilled our other ethical responsibilities in accordance with the CA Sri Lanka 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.

We have determined that there are no key audit matters to communicate in our report.

Other Information

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

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

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

Deloitte.

INDEPENDENT AUDITOR'S REPORT (CONTD)
TO THE SHAREHOLDERS OF DOLPHIN HOTELS PLC (CONTD)
Report on the Audit of the Financial Statements (Contd)

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

» Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

» Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

» Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

» Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

» Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Deloitte.

INDEPENDENT AUDITORS' REPORT (CONTD)
TO THE SHAREHOLDERS OF DOLPHIN HOTELS PLC (CONTD)

Report on the Audit of the Financial Statements (Contd)

Auditor's Responsibilities for the Audit of the Financial Statements (Contd)

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

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

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

Report on Other Legal and Regulatory Requirements

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

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 3015.

Deloitte Partners

CHARTERED ACCOUNTANTS
COLOMBO

13 August 2026

Statement of Financial Position

As at 31 March 2026

As at 31 March	Notes	2026 Rs.	2025 Rs.
ASSETS			
Non-Current Assets			
Property, Plant and Equipment	11	4,158,485,826	4,116,367,300
Intangible Assets	12	Nil	845,406
Other Financial Assets	13	633,526	1,999,589
Total Non-Current Assets		4,159,119,352	4,119,212,295
Current Assets			
Inventories	14	38,094,181	38,646,920
Trade and Other Receivables	15	940,680,770	613,143,127
Other Financial Assets	13	556,135,277	661,178,326
Cash and Cash Equivalents	16	559,185,684	578,049,117
Total Current Assets		2,094,095,912	1,891,017,490
Total Assets		6,253,215,264	6,010,229,785
EQUITY AND LIABILITIES			
Equity			
Stated Capital	17	948,644,310	948,644,310
Other Components of Equity	18	1,970,489,084	1,971,855,147
Retained Earnings	19	1,741,233,504	1,513,331,139
Total Equity		4,660,366,898	4,433,830,596
Non-Current Liabilities			
Deferred Tax Liabilities	9.2	969,328,187	1,040,026,705
Retirement Benefit Obligations	20	33,588,399	32,840,165
Total Non-Current Liabilities		1,002,916,586	1,072,866,870
Current Liabilities			
Trade and Other Payables	21	520,572,429	386,236,458
Dividends Payable	22	Nil	3,754,046
Income Tax Liabilities		39,398,107	62,661,830
Bank Overdraft	16.2	29,961,244	50,879,985
Total Current Liabilities		589,931,780	503,532,319
Total Equity and Liabilities		6,253,215,264	6,010,229,785

These financial statements are in compliance with the requirements of the Companies Act No. 07 of 2007.

K. K. P. J. Perera
Head of Finance

The Board of Directors is responsible for these financial statements.
Signed for and on behalf of the Board by:

W D K Jayawardena
Director

R L E C Wijeratne
Director

The accounting policies and notes on pages 87 through 126 form an integral part of the financial statements

13 August 2026
Colombo

Statement of Profit or Loss

For the year ended 31 March 2026

For the year ended 31 March	Notes	2026 Rs.	2025 Rs.
Revenue	5	1,699,367,081	1,446,897,071
Cost of Sales		(541,408,054)	(510,924,482)
Gross Profit		1,157,959,027	935,972,589
Other Operating Income and Gains - Net	6	4,392,612	4,739,466
Sales and Marketing Expenses		(66,585,873)	(17,428,978)
Administrative Expenses		(1,082,861,312)	(780,207,945)
Results of Operating Activities		12,904,454	143,075,132
Finance Cost	7	(2,988,666)	(5,642,299)
Finance Income	7	191,687,184	92,725,803
Profit Before Tax	8	201,602,972	230,158,636
Income Tax Credit/ (Expenses)	9	19,515,170	(62,725,038)
Profit for the Year		221,118,142	167,433,598
Profit for the year attributable to:			
Owners of the Dolphin Hotels PLC		221,118,142	167,433,598
Earnings Per Share - Basic / Diluted	10	3.50	2.65

The accounting policies and notes on page 87 through 126 form an Integral Part of the financial statements.

Statement of Comprehensive Income

For the year ended 31 March 2026

For the year ended 31 March	Notes	2026 Rs.	2025 Rs.
Profit for the Year		221,118,142	167,433,598
Other Comprehensive Income			
Items that will not be reclassified to profit or loss subsequently			
Fair Value Loss on Fair Value Through OCI Investments	13.1.1	(1,366,063)	(682,977)
Surplus from Revaluation of Land and Buildings	18.1	Nil	1,225,986,007
Deferred Taxation Attributable to Surplus from Revaluation of Land and Buildings	9.2.2	Nil	(367,795,802)
Actuarial Gains on Retirement Benefit Obligations	20.2	4,328,825	6,592,239
Deferred Taxation Attributable to Actuarial Gains	9.2.2	(1,298,648)	(1,977,672)
Other Comprehensive Income for the Year, Net of Tax		1,664,114	862,121,795
Total Comprehensive Income		222,782,256	1,029,555,393
Total Comprehensive Income for the year attributable to:			
Owners of the Dolphin Hotels PLC		222,782,256	1,029,555,393

The accounting policies and notes on page 87 through 126 form an Integral Part of the financial statements.

Statement of Changes in Equity

Year ended 31 March 2026

For the year ended 31 March	Notes	Stated Capital	Other Components of Equity		Retained Earnings	Total
			Revaluation Reserve	Fair Value Reserve		
		Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 01 April 2024		948,644,310	1,115,665,353	(1,317,434)	1,341,282,974	3,404,275,203
Net Profit for the Year		Nil	Nil	Nil	167,433,598	167,433,598
Other Comprehensive Income						
Surplus from Revaluation of Land and Buildings	11.1	Nil	1,225,986,007	Nil	Nil	1,225,986,007
Deferred Taxation Attributable to Surplus from Revaluation of Land and Buildings	9	Nil	(367,795,802)	Nil	Nil	(367,795,802)
Fair Value Loss on Fair Value Through OCI Investments	13.1.1	Nil	Nil	(682,977)	Nil	(682,977)
Actuarial Gains on Retirement Benefit Obligations	20	Nil	Nil	Nil	6,592,239	6,592,239
Deferred Taxation Attributable to Actuarial Gains	9	Nil	Nil	Nil	(1,977,672)	(1,977,672)
Total Comprehensive Income		Nil	858,190,205	(682,977)	172,048,165	1,029,555,393
Balance as at 31 March 2025		**948,644,310**	**1,973,855,558**	**(2,000,411)**	**1,513,331,139**	**4,433,830,596**
Balance as at 01 April 2025		948,644,310	1,973,855,558	(2,000,411)	1,513,331,139	4,433,830,596
Net Profit for the Year		Nil	Nil	Nil	221,118,142	221,118,142
Other Comprehensive Income						
Fair Value loss on Fair Value Through OCI Investments	13.1.1	Nil	Nil	(1,366,063)	Nil	(1,366,063)
Actuarial Gains on Retirement Benefit Obligations	20	Nil	Nil	Nil	4,328,825	4,328,825
Deferred Taxation Attributable to Actuarial Gains	9	Nil	Nil	Nil	(1,298,648)	(1,298,648)
Total comprehensive Income		**Nil**	**Nil**	**(1,366,063)**	**224,148,319**	**222,782,256**
Transactions with owners:						
Unclaimed Dividends Written Back to Retained Earnings	22	Nil	Nil	Nil	3,754,046	3,754,046
Balance as at 31 March 2026		**948,644,310**	**1,973,855,558**	**(3,366,474)**	**1,741,233,504**	**4,660,366,898**

The accounting policies and notes on pages 87 through 126 form an integral part of these financial statements.

Statement of Cash Flows

For the Year ended 31 March 2026

For the Year Ended 31 March	Notes	2026 Rs.	2025 Rs.
Operating Activities			
Net Profit Before Income Tax		201,602,972	230,158,636
Adjustments for			
Depreciation of Property, Plant and Equipment	11	116,065,541	108,469,422
Amortisation of Intangible Assets	12	595,935	794,580
Finance Income	7	(105,186,268)	(80,382,255)
Write off of Receivables	8	80,840,676	51,267,323
Foreign Currency Losses - Loan		Nil	3,053,516
Foreign Currency Gains - Cash and Cash Equivalents		(30,942,723)	Nil
Finance Costs	7	2,988,666	5,642,299
Provision for Retirement Benefit Obligations	20	6,344,413	6,716,135
(Reversal of Provision) / Provision for Impairment of Trade Receivables	15	(14,708,132)	12,084,017
Loss on Disposal of Property, Plant and Equipment	6	157,388	Nil
		257,758,468	337,803,673
Working Capital Adjustments:			
Decrease / (Increase) in Inventories		552,739	(866,201)
Increase in Trade and Other Receivables		(533,214,734)	(92,678,841)
(Increase) / Decrease in Other Financial Assets		106,409,112	(182,001)
Increase / (Decrease) in Trade and Other Payables		130,581,925	(118,717,750)
Cash (Used In) / Generated From Operations		(37,912,490)	125,358,880
Finance Costs Paid		(2,988,666)	(5,642,299)
Employee Retirement Benefit Obligations Paid	20	(1,267,354)	(1,188,220)
Income Tax Paid		(72,809,064)	(63,648,946)
Net Cash (Used In) / Generated From Operating Activities		(114,977,574)	54,879,415
Investing Activities			
Purchase of Property, Plant and Equipment	11	(158,291,983)	(132,295,019)
Loans Settled by Related Parties	13	169,269,750	40,000,000
Finance Income		75,112,392	35,534,494
Net Cash Flows Generated From / (Used In) Investing Activities		86,090,159	(56,760,525)
Financing Activities			
Related Party Loans Repaid During the Year		Nil	(16,814,428)
Repayment of Interest Bearing Loans and Borrowings		Nil	(576,730,462)
Net Cash Flows Used In Financing Activities		Nil	(593,544,890)
Net Decrease in Cash and Cash Equivalents		(28,887,415)	(595,426,000)
Movement in Cash and Cash Equivalents			
At the Beginning of the Year		527,169,132	1,122,595,132
Net Decrease During the Year		(28,887,415)	(595,426,000)
Effect of Exchange Rate Changes		30,942,723	Nil
Cash and Cash Equivalents at the End of the Year	16	529,224,440	527,169,132

The accounting policies and notes on pages 87 through 126 form an integral part of these financial statements.

Notes to the Financial Statements

Year ended 31 March 2026

1. CORPORATE INFORMATION

1.1 General

Dolphin Hotels PLC ("Company") is a public limited liability Company listed on the Colombo Stock Exchange incorporated and domiciled in Sri Lanka. The registered office is located at No.100/1, Sri Jayawardenapura Mawatha, Rajagiriya.

1.2 Principal Activities and Nature of Operations

The principal activity of the Company is operation of a hotel in Waikkal, Sri Lanka.

1.3 Parent Entity and Ultimate Parent Entity

Serendib Hotels PLC which is the immediate parent of Dolphin Hotels PLC was acquired by Eden Hotel Lanka PLC. The Company's first intermediate, second intermediate and ultimate parent undertaking and controlling parties are Eden Hotel Lanka PLC, Palm Garden, Browns Investments PLC and LOLC Holdings PLC respectively, which are incorporated in Sri Lanka. However, Serendib Hotels PLC continues to be the immediate parent of the Company despite of the said acquisition.

1.4 Date of Authorisation for Issue

The Financial Statements of Dolphin Hotels PLC for the year ended 31 March 2026 were authorised for issue, in accordance with a resolution of the Board of Directors on 13 August 2026.

1.5 Responsibility for Financial Statements

The responsibility of the Directors in relation to the Financial Statements is set out in the Statement of Directors' Responsibility Report in the Annual Report.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

The financial statements of the Company has been prepared in accordance with Sri Lanka Accounting Standards, which comprise Sri Lanka Financial Reporting Standards ("SLFRS"s), Sri Lanka Accounting Standards ("LKAS"s), relevant interpretations of the Standing Interpretations Committee ("SIC") and International Financial Reporting Interpretations Committee ("IFRIC") laid down by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka), and in compliance with the requirements of the Companies Act No. 07 of 2007, and provide appropriate disclosures as required by the Listing Rules of the Colombo Stock Exchange (CSE).

These financial statements have been prepared under the historical cost convention except for land, buildings and motor vehicles which are measured at revalued amounts subsequently and financial assets and liabilities which are measured at amortised cost / fair value.

The preparation of financial statements in conformity with Sri Lanka Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Company's financial statements are disclosed in note 3 to the financial statements.

2.2 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 the resources to continue in business for the foreseeable future. The assessment includes the existing and anticipated effects from the present macro-economic conditions, the circumstances of the external environment, or are inconsistent with historical trends. Management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern and the management do not intend either to liquidate or to cease operations of the Company. Therefore, the Financial Statements continue to be prepared on the going concern basis.

2.3 Basis of Measurement

The Financial Statements of the Company has been prepared on an accrual basis and under the historical cost convention other than land, buildings and motor vehicles which are subsequently measured at revalued amounts, fair value through OCI investments and other financial assets and liabilities measured at fair value / amortised cost.

2.4 Functional and Presentation Currency

The Financial Statements are presented in Sri Lankan Rupees, which is also the parent company's functional and presentation currency.

2.5 Materiality and Aggregation

Each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or function are presented separately unless they are immaterial.

2.6 Comparative Information

Comparative information including quantitative, narrative and descriptive information is disclosed in respect of the previous period in the Financial Statements in order to enhance the understanding of the current period's Financial Statements and to enhance the inter period comparability. The presentation and classification of the Financial Statements of the previous year are amended, where relevant for better presentation and to be comparable with those of the current year.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent liabilities at the reporting date. These judgments, estimates and assumptions are based on information available when the financial statements are prepared. However, changes in assumptions and future events may result in material adjustments to the carrying amounts of assets and liabilities in subsequent periods. The key judgments, estimates and assumptions are described below.

a) Revaluation of Property, Plant and Equipment

The Company carries its land, buildings and motor vehicles at revalued amounts with changes in fair value being recognised in OCI. The Company engages an independent valuation specialist once in 3 years, to assess fair value for the said assets. Land, buildings and motor vehicles values are determined by reference to market-based evidence, using comparable prices adjusted for specific market factors such as nature, location and condition of the property. The valuation methodology adopted and the key assumptions to determine the fair value of the properties and sensitivity analyses are provided in relevant notes as required.

b) Estimated useful lives of property, plant and equipment (PPE)

The Company reviews annually the estimated useful lives of property, plant and equipment based on factors such as business plan and strategies, expected level of usage and future technological developments. Future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned. A reduction in the estimated useful lives of property, plant and equipment would increase the recorded depreciation charge and decrease the property, plant and equipment balance.

c) Impairment of Non - Financial Assets

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

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the Statement of Profit or Loss in those expense categories consistent with the function of the impaired asset, except for a property previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Profit or Loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

d) Retirement Benefit Obligations

The cost of defined benefit plans-gratuity is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, futures salary increases and retirement age. Due to the long term nature of these plans, such estimates are subject to significant uncertainty. All assumptions are reviewed at each reporting date.

e) Impairment of financial assets

The Company applies the SLFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The Company applies the SLFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. Refer Note 4.10 for further details.

f) Provisions

The Company recognises provisions when they have a present legal or constructive obligation arising as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. The recording of provisions requires the application of judgements about the ultimate resolution of these obligations. As a result, provisions are reviewed at each statement of financial position date and adjusted to reflect the Company's current best estimate (refer Note 21 for the judgement involved in estimating the provision relating to expenditure required to undertake the reconstruction work).

g) Recoverability and tax deductibility of related party service charges

During the year, the Company incurred shared service charges from related parties under group service arrangements. The determination of the amounts charged involves judgement regarding the allocation of costs, the nature of services received and the application of the agreed group charging methodology. Management has assessed that the services were received for the purposes of the Company's operations, the charges are supported by contractual arrangements and underlying documentation, and that the related expenditure is deductible for income tax purposes under the applicable tax legislation. The ultimate determination of the tax deductibility of such charges is subject to review by the Inland Revenue Department. Any differences arising from future tax assessments will be recognised in the period in which such assessments become known.

4. MATERIAL ACCOUNTING POLICY INOFORMATION

The material accounting policies set out below have been applied consistently for all periods presented in the Financial Statements by the Company.

4.1 Changes in accounting policies and disclosures

(a) The Company has applied the following new and amended SLFRS Accounting Standards that are effective for the first time during the current year, for their annual reporting period commencing on 1 April 2025:

In the current year, the Company has applied the below amendment to Sri Lanka Accounting Standards issued by the CA Sri Lanka that are mandatorily effective for an accounting period that begins on or after 1 January 2025. Its adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Amendments to LKAS 21 The Effects of Changes in Foreign Exchange Rates - Lack of Exchangeability

The amendments specify how to assess whether a currency is exchangeable, and how to determine the exchange rate when it is not.

The amendments state that a currency is exchangeable into another currency when an entity is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations.

An entity assesses whether a currency is exchangeable into another currency at a measurement date and for a specified purpose. If an entity is able to obtain no more than an insignificant amount of the other currency at the measurement date for the specified purpose, the currency is not exchangeable into the other currency.

The assessment of whether a currency is exchangeable into another currency depends on an entity's ability to obtain the other currency and not on its intention or decision to do so.

When a currency is not exchangeable into another currency at a measurement date, an entity is required to estimate the spot exchange rate at that date. An entity's objective in estimating the spot exchange rate is to reflect the rate at which an orderly exchange transaction would take place at the measurement date between market participants under prevailing economic conditions.

The amendments do not specify how an entity estimates the spot exchange rate to meet that objective. An entity can use an observable exchange rate without adjustment or another estimation technique.

(b) New and revised SLFRS Accounting Standards in issue but not yet effective and not early adopted in 2025/26:

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

These amendments clarify the requirements for the timing of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system. These amendments further clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion.

These amendments add new disclosures for certain instruments with contractual terms that can change cash flows (such as some instruments with features linked to the achievement of environment, social and governance (ESG) targets); and make updates to the disclosures for equity instruments designated at Fair Value through Other Comprehensive Income (FVOCI).

The amendments are effective for annual reporting periods beginning on or after 1 January 2026, with earlier application permitted.

The directors of the Company anticipate that the application of these amendments may have an impact on the Company's financial statements in future periods.

SLFRS 18 Presentation and Disclosures in Financial Statements

SLFRS 18 replaces LKAS 1, carrying forward many of the requirements in LKAS 1 unchanged and complementing them with new requirements. In addition, some LKAS 1 paragraphs have been moved to LKAS 8 and SLFRS 7.

SLFRS 18 introduces new requirements to:

» Present specified categories and defined subtotals in the statement of profit or loss

» Provide disclosures on management-defined performance measures (MPMs) in the notes to the financial statements

» Improve aggregation and disaggregation.

An entity is required to apply SLFRS 18 for annual reporting periods beginning on or after 1 January 2027, with earlier application permitted. SLFRS 18 requires retrospective application with specific transition provisions.

The directors of the Company anticipate that the application of this standard may have an impact on the Company's financial statements in future periods.

SLFRS 19 Subsidiaries without Public Accountability: Disclosures

SLFRS 19 permits an eligible subsidiary to provide reduced disclosures when applying SLFRS Accounting Standards in its financial statements.

A subsidiary is eligible for the reduced disclosures if it does not have public accountability and its ultimate or any intermediate parent produces consolidated financial statements available for public use that comply with SLFRS Accounting Standards.

An entity is only permitted to apply SLFRS 19 if, at the end of the reporting period:

» It is a subsidiary (this includes an intermediate parent)

» It does not have public accountability, and

» Its ultimate or any intermediate parent produces consolidated financial statements available for public use that comply with SLFRS Accounting Standards.

Eligible entities can apply SLFRS 19 in their consolidated, separate or individual financial statements. An eligible intermediate parent that does not apply SLFRS 19 in its consolidated financial statement may do so in its separate financial statements.

The new standard is effective for reporting periods beginning on or after 1 January 2027 with earlier application permitted.

The application of SLFRS 19 will not have an impact to the financial statements of the Company.

Contracts Referencing Nature-dependent Electricity – Amendments to SLFRS 9 and SLFRS 7

The amendments apply only to contracts that reference nature-dependent electricity; the amendments:

» Clarify the application of the 'own-use' requirements for in-scope contracts

» Amend the designation requirements for a hedged item in a cash flow hedging relationship for in-scope contracts

» Add new disclosure requirements to enable investors to understand the effect of these contracts on a Company's financial performance and cash flows

The directors of the Company anticipate that the application of these improvements may not have an impact on the Company's financial statements in future periods.

4.2 Foreign Currencies

Transactions in foreign currencies are initially recorded by the Company at the functional currency rates prevailing on the date of the transaction. The financial statements are prepared in Sri Lanka rupees, which is the functional currency of the Company.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

Differences arising on settlement or transaction of monitory items are recognised in Profit or Loss with the exception of all monetary items that forms part of a net investment in a foreign operation. These are recognised in other comprehensive income until the disposal of the net investment, at which time they are reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

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

The gain or loss arising on translation of non-monetary items measured fair value is treated in line with the recognition of gain or loss on change in fair value in the item (translation differences on items whose gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss respectively).

4.3 Current versus non-current classification

The Company 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 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

» It does not have the right at the reporting date to defer the settlement of the liability by the transfer of cash or other assets for at least 12 months after the reporting period

The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities.

4.4 Fair Value Measurement

The Company measures financial instruments such as financial assets at Fair Value Through OCI, Fair Value Through P&L, Financial Derivatives and Non-Financial Assets such as certain classes of Property, Plant and Equipment, are subsequently measured at fair value at once in every three years and other financial assets and financial liabilities at each reporting date.

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 under the respective notes.

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 Company. 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 considers 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 Company 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 on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation at the end of each reporting period. External valuers are involved for valuation of significant assets, such as properties and significant liabilities, such as defined benefit obligations.

Involvement of external valuers is decided upon annually after discussion with and approval by the Company's Board Audit Committee wherever necessary. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Board Audit Committee whenever necessary after discussions with the Company's external valuers decide which valuation techniques and inputs to use for each case.

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

The Management in conjunction with the Company'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. This includes a discussion of the major assumptions used in the valuations.

A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Profit or Loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

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

4.5 Revenue

Recognition of Revenue

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 Group expects to be entitled in exchange for those goods or services.

SLFRS 15 requires entities to exercise judgement, taking into consideration all the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

In determining the transaction price for the revenue contracts, the Company considers the effects of variable consideration, the existence of significant financing components, non-cash consideration, and consideration to the customer (if any).

Room revenue is recognised over time based on daily occupancy, reflecting the Company's measure of progress towards satisfaction of the accommodation service obligation. This method faithfully depicts the transfer of services, as guests simultaneously receive and consume the benefits of the accommodation services throughout their stay. Food and beverage revenue is recognised at the point of sale.

In connection with contracts with travel agents, tour operators, on-line travel agents, corporate customers and free-individual-travellers, the Company identified certain principal versus agent considerations. In recognising revenue from these transactions, the Company considered whether the nature of its promise is a performance obligation to provide the hotel services itself (acting as a principal) or to arrange for the other party to provide those such services (acting as an agent).

Goods Transferred at a Point in Time

Under SLFRS 15, revenue is recognised upon satisfaction of performance obligation. The revenue recognition occurs at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods and services.

Services Transferred Over Time

Under SLFRS 15, the Company determines at contract inception whether it satisfies the performance obligation over time or at a point in time. For each performance obligation satisfied overtime, the Company recognises the revenue over time by measuring the progress towards complete satisfaction of that performance obligation.

Contract Liabilities

Contract liabilities are Company's obligation to transfer goods or services to a customer for which the Company has received consideration from the customer. Contract liabilities includes advances received for reservations. Contract liabilities of the Company have been disclosed in Trade and Other Payables note 21.

4.6 Taxation

Current Income Taxes

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the Commissioner General of Inland Revenue Department of Sri Lanka. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date in the country where the Company 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.

The provision for income tax is based on the elements of income and expenditure as reported in the financial statements and computed in accordance with the provisions of the Inland Revenue Act No. 24 of 2017 and amendments thereto.

Management has used its judgment on the application of tax laws including transfer pricing regulations involving identification of associated undertakings, estimation of the respective arm's length prices and selection of appropriate pricing mechanism.

Deferred Taxation

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

Deferred income tax liabilities are recognised for all taxable temporary differences except;

i) Where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

ii) In respect of taxable temporary differences associated with investments in subsidiaries, except where 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 income tax assets are recognised for all deductible temporary differences, carry forward unused tax credits and unused tax losses, 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:

i) Where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

ii) In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised 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 income 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 income tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax assets to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to 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 as at the reporting date.

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

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxable entity and the same taxation authority.

4.7 Property, Plant and Equipment

Plant and Machinery, Furniture, Fittings and Equipment, Cutlery, Crockery, Glassware and Silverware are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing component parts of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Company de-recognises the replaced part, and recognises the new part with its own associated useful life and depreciation. 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 the statement of profit or loss as incurred.

Land, buildings, land improvements, swimming pool and motor vehicles are measured at fair value less accumulated depreciation and any impairment losses after the date of revaluation. Valuations are performed with sufficient frequency to ensure that the carrying amount of a revalued asset does not differ materially from its fair value.

Where buildings and motor vehicles are subsequently revalued, the entire class of such assets is revalued. Any revaluation surplus is recognised in other comprehensive income and accumulated in equity in the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the statement of profit or loss, in which case the increase is recognised in the statement of profit or 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 reserve.

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 reserve relating to the particular asset being sold is transferred to retained earnings.

Depreciation is calculated on a straight line basis over the estimated useful lives of the assets as follows:

	2026	2025
Buildings on Freehold Land	Over maximum period of 60 years	Over maximum period of 60 years
Furniture, Fittings and Equipment	5 -10 Years	5 -10 Years
Motor Vehicles	5 -10 Years	5 -10 Years
Plant and Machinery	5 -10 Years	5 -10 Years
Swimming Pool	Over maximum period of 60 years	Over maximum period of 60 years
Cutlery, Crockery, Glassware and Silverware	2-3 Years	2-3 Years

An item of property, plant and equipment and any significant part initially recognised is de-recognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition 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 de-recognised.

Capital Work In Progress is recognised at cost and subsequently it is carried at cost less accumulated impairment.

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 respective assets.

All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

4.8 Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the statement of profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

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

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the Statement of Profit or Loss when the asset is de-recognised.

4.9 Inventories

Inventories are valued at the lower of cost and net realisable value, after making due allowances for obsolete and slow-moving items.

The cost incurred in bringing inventories to its present location and conditions are accounted using the following cost formulae:

Foods and Beverages Stocks	-	Weighted average basis.
Maintenance and Others	-	Weighted average basis.

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

4.10 Financial Instruments

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 and fair value through profit or loss.

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

Subsequent Measurement

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

» Financial assets at amortised cost (debt instruments)

» Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)

» Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)

» Financial assets at fair value through profit or loss.

Financial Assets at Amortised Cost (Debt Instruments)

The Company 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 de-recognised, modified or impaired.

The Company's financial assets at amortised cost includes trade receivables, loans to employees and loans to related parties.

Financial Assets at Fair Value Through OCI (Debt Instruments)

The Company 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 de-recognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

The Company has not classified any instrument under this category as of 31 March 2026.

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

Upon initial recognition, the Company 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 LKAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by instrument basis.

Gains and losses on these financial assets are never recycled to Statement of 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 Company 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 Company elected to classify irrevocably its listed and non-listed equity investments under this category.

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. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. 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.

The Company has not classified any instrument under this category as of 31 March 2026.

De-recognition

A financial asset is de-recognised when:

» The rights to receive cash flows from the asset have expired.

» The Company 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 Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of it, the asset is recognised to the extent of the Company's continuing involvement in it.

Impairment of Financial Assets

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

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

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company 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.

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, carried at amortised cost. This includes directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts.

Subsequent Measurement

The measurement of financial liabilities depends on their classification as follows:

Financial Liabilities at Fair Value Through Profit or Loss

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

De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires.

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the 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.

4.11 Cash and Cash Equivalents

Cash and short term deposits in the Statement of Financial Position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less.

For the purpose of the Company's Statement of Cash Flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

4.12 Employee Benefits

(a) Defined Contribution Plans –Employees' Provident Fund and Employees' Trust Fund

Employees are eligible for Employees' Provident Fund Contributions and Employees' Trust Fund Contributions in line with the respective statutes and regulations. The Company contributes 12% and 3% of gross emoluments of employees to Employees' Provident Fund and Employees' Trust Fund respectively.

(b) Defined Benefit Plans – Gratuity

A defined benefit plan is post-employment benefits plan other than a defined contribution plans - Employees' Provident Fund and Employees' Trust Fund. The liability recognised in the Statement of Financial Position in respect of defined benefit plans is the present value of the defined benefit obligation at the reporting date.

The defined benefit obligation is calculated using the 'Projected Unit Credit method'. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows using interest rates that are denominated in the currency in which the benefits will be paid, and that have terms of maturity approximating to the terms of the liability.

Provision has been made in the Financial Statements for retiring gratuities from the first year of service for all employees, in conformity with LKAS 19 - "Employee Benefits". Actuarial gains or losses are recognised in Other Comprehensive Income (OCI) in the period which it arises.

However, according to the Payment of Gratuity Act No. 12 of 1983, the liability for payment to an employee arises only after the completion of 5 years continued service. The liability is not externally funded.

4.13 Provisions

Provisions are recognised when the Company 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.
Where the Company 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 any 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, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

5 REVENUE

Year ended 31 March	2026 Rs.	2025 Rs.
Accommodation, Food and Beverage	1,669,615,779	1,422,152,435
Others (Hotel Operations)	29,751,302	24,744,636
	1,699,367,081	1,446,897,071

5.1 Disaggregation of revenue from contracts with customers

Year ended 31 March	2026 Rs.	2025 Rs.
Accommodation Revenue	594,796,009	414,521,715
Food & Beverage Revenue	1,074,819,770	1,007,630,720
Spa and Ayurvedic related Income	20,561,658	16,392,191
Transport Income	2,804,708	1,658,211
Laundry Income	1,615,259	1,198,660
Other Revenue	4,769,677	5,495,574
	1,699,367,081	1,446,897,071

5.2 Timing of Revenue Recognition

Year ended 31 March	2026 Rs.	2025 Rs.
Revenue recognised over time	594,796,009	414,521,715
Revenue recognised at a point in time	1,104,571,072	1,032,375,356
	1,699,367,081	1,446,897,071

6 OTHER OPERATING INCOME AND GAINS - NET

Year ended 31 March	2026 Rs.	2025 Rs.
Rental Income	4,550,000	4,739,466
Loss on Disposal of Property, Plant and Equipment	(157,388)	Nil
	4,392,612	4,739,466

7 FINANCE COST AND INCOME

7.1 Finance Costs

Year ended 31 March	Note	2026 Rs.	2025 Rs.
Interest Expense on Overdrafts		2,902,901	1,983,221
Interest Expense on Loans and Borrowings - Related Parties	25.4	85,765	2,524,460
Interest Expense on Loans and Borrowings - Others		Nil	1,134,618
		2,988,666	5,642,299

7.2 Finance Income

Year ended 31 March	Note	2026 Rs.	2025 Rs.
Interest Income from - Related Party Loans	25.4	30,073,876	37,047,557
Interest Income from - Related Party Current Accounts	25.4	47,131,365	7,800,204
Interest Income from - Commercial Papers		27,981,027	32,549,289
Interest Income from - Saving Accounts		2,609,258	2,985,205
Net Foreign Transaction and Translation Gains		83,891,658	12,343,548
		191,687,184	92,725,803

8 PROFIT BEFORE TAX

The following items have been charged / (credited) in arriving at operating profit.

Year ended 31 March	Notes	2026 Rs.	2025 Rs.
Directors' Emoluments	26 (a)	2,100,000	1,570,000
Auditors' Remuneration - Audit (Fees and Expenses)		1,365,000	1,300,000
Auditors' Remuneration - Non Audit (Fees and Expenses)		Nil	Nil
		1,365,000	1,300,000
Depreciation on Property, Plant and Equipment	11.3	116,065,541	108,469,422
Amortisation on Intangible Assets	12	595,935	794,580
Legal Fees		880,500	752,350
Donations		127,453	200,425
(Reversal of Provision) / Provision for Impairment of Trade Receivables	15.2	(14,708,132)	12,084,017
Write Off of Receivables		80,840,676	51,267,323
Management Fees	25.4	112,848,180	93,712,418
Accounting Fees	25.4	1,292,308	1,486,800
Secretarial Fees	25.4	1,200,000	1,200,000
Treasury and Funding Management Fee	25.4	49,200,000	Nil
Hyperion Financial Management Support Services	25.4	82,000,000	Nil
Marketing and Promotional Expenses	25.4	36,900,000	Nil
Tax Consultancy Fees	25.4	36,900,000	Nil
Sales Promotional Costs	25.4	11,625,000	Nil
Charges for Ground Staff Services	25.4	24,000,000	Nil
Consultancy Fees	25.4	Nil	17,700,000
Employee Benefit Expense	8.1	235,567,589	218,726,799

8 PROFIT BEFORE TAX (CONTD.)

8.1 Employee Benefit Expense

Year ended 31 March	Note	2026 Rs.	2025 Rs.
Salaries, Wages and Other Benefits		213,005,245	197,308,475
Retirement Benefit Obligations	20.1	6,344,413	6,716,135
Defined Contribution Obligations - EPF and ETF		16,217,931	14,702,189
		235,567,589	218,726,799

9 INCOME TAX (CREDIT) / EXPENSE

Year ended 31 March	Notes	2026 Rs.	2025 Rs.
Statement of Profit or Loss			
Current Income Tax			
Current Tax Expense on Ordinary Activities for the Year	9.1	56,926,417	76,222,286
Over Provision of Current Taxes in Respect of Prior Years		(4,444,421)	(4,156,054)
Deferred Income Tax			
Deferred Taxation Reversal	9.2.2	(71,997,166)	(9,341,194)
Income Tax (Credit) / Charge		(19,515,170)	62,725,038
Statement of Other Comprehensive Income			
Deferred Taxation Charge	9.2.2	1,298,648	369,773,474
		1,298,648	369,773,474
Income Tax (Credit) / Expense Recorded in Total Comprehensive Income		(18,216,522)	432,498,512

9.1 Reconciliation Between Current Tax Expense and the Product of Accounting Profit

Year ended 31 March	2026 Rs.	2025 Rs.
Accounting Profit Before Tax	201,602,972	230,158,636
Expenses Not Deductible for Tax Purposes	182,475,255	130,781,157
Income from Other Sources and Exempt Income	(137,342,143)	(78,085,422)
Additional Allowable Deductions	(122,195,522)	(106,101,603)
Assessable Income from Business	124,540,562	176,752,768
Assessable Income from Investment	65,214,161	77,321,517
Taxable Income	189,754,723	254,074,285
Current Tax Expense at 30% (2025-30%)	56,926,417	76,222,286
Over provision of Current Taxes in Respect of Prior Years	(4,444,421)	(4,156,054)
Deferred Taxation Reversal	(70,698,518)	360,432,280
Income Tax (Credit) / Expense Recorded in Total Comprehensive Income	(18,216,522)	432,498,512

9 INCOME TAX (CREDIT) / EXPENSE (CONTD.)

9.1.1 Reconciliation of Effective Tax Rate

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the basic tax rate applicable to profits of the Company as follows:

Year ended 31 March	2026		2025	
	Rate	Rs.	Rate	Rs.
Accounting Profit Before Tax		201,602,972		230,158,636
Tax Calculated at the Statutory Tax Rate	30%	60,480,892	30%	69,047,591
Expenses Not Deductible for Tax Purposes	29%	59,155,016	17%	39,234,347
Additional Allowable Deductions	-18%	(36,658,657)	-14%	(31,830,481)
Exempt Income	-13%	(26,050,834)	0%	(229,172)
Current Tax Expense on Ordinary Activities for the Year	28%	56,926,417	33%	76,222,286
Over Provision of Current Taxes in Respect of Prior Years	-2%	(4,444,421)	-2%	(4,156,054)
Deferred Tax Arising from Temporary Differences	-35%	(70,698,518)	157%	360,432,280
Income Tax Expense at the Effective Tax Rate	-9%	(18,216,522)	188%	432,498,512

9.1.1 The business profits and income of Dolphin Hotels PLC, being a Company involved in the promotion of tourism are liable to tax at rate of 30% as per the first schedule of the Inland Revenue Act No. 24 of 2017 and amendment thereto. Other sources of income are taxable at 30%.

9.1.2 Tax Losses Brought Forward

Year ended 31 March	2026 Rs.	2025 Rs.
Tax Losses Brought Forward	Nil	104,146
Adjustment to Reflect Impacts from Previous Year Tax Return	Nil	(104,146)
Tax Losses Carried Forward	Nil	Nil

9.2 Deferred Tax

9.2.1 Deferred Tax Assets, Liabilities and Income Tax Relates to the Following;

As at 31 March	Note	2026 Rs.	2025 Rs.
Deferred Tax Liabilities	9.2.3	984,776,210	1,059,662,698
Deferred Tax Assets	9.2.3	(15,448,023)	(19,635,993)
Net Deferred Tax Liabilities		969,328,187	1,040,026,705

9 INCOME TAX (CREDIT) / EXPENSE (CONTD.)

9.2 Deferred Tax (Contd.)

9.2.2 Deferred Taxation Charge / (Reversal) - Statement of Profit or Loss / Other Comprehensive Income

Year ended 31 March	Statement of Profit or Loss		Other Comprehensive Income / Directly through Equity	
	2026 Rs.	2025 Rs.	2026 Rs.	2025 Rs.
Deferred Tax Liabilities				
Capital Allowances for Tax Purposes	(74,886,488)	(4,088,859)	Nil	Nil
Revaluation of Buildings	Nil	Nil	Nil	367,795,802
	(74,886,488)	(4,088,859)	Nil	367,795,802
Deferred Tax Assets				
Retirement Benefit Obligations	(1,523,118)	(1,658,374)	Nil	Nil
Collective Impairment of Trade and Other Receivables	4,412,440	(3,625,205)	Nil	Nil
Carry Forward of Unused Tax Losses	Nil	31,244	Nil	Nil
Actuarial Gains	Nil	Nil	1,298,648	1,977,672
	2,889,322	(5,252,335)	1,298,648	1,977,672
	(71,997,166)	(9,341,194)	1,298,648	369,773,474

Deferred tax provision as of 31 March 2026 has been computed based on the future tax rate applicable to the Company (30%) in accordance with Inland Revenue Act, No. 24 of 2017.

9.2.3 Deferred Tax Asset/Liability Relates to the Following;

As at 31 March	Statement of Financial Position	
	2026 Rs.	2025 Rs.
Deferred Tax Liabilities		
Capital Allowances for Tax Purposes	138,926,579	213,813,067
Surplus from Revaluation of Buildings & Swimming Pools	845,849,631	845,849,631
	984,776,210	1,059,662,698
Deferred Tax Assets		
Retirement Benefit Obligations	11,606,854	10,083,736
Collective Impairment of Trade and Other Receivables	5,371,503	9,783,943
Actuarial Gains on Retirement Benefit Obligations	(1,530,334)	(231,686)
	15,448,023	19,635,993
Net Deferred Tax Liabilities	969,328,187	1,040,026,704

9 INCOME TAX (CREDIT) / EXPENSE (CONTD.)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority. The offset amounts are as follows:

As at 31 March	2026 Rs.	2025 Rs.
Deferred Tax Liabilities:		
- Deferred tax liabilities to be recovered after more than 12 months	937,650,259	967,951,465
- Deferred tax liabilities to be recovered within 12 months	47,125,951	91,711,233
	984,776,210	1,059,662,698
Deferred Tax Assets:		
- Deferred tax assets to be recovered after more than 12 months	3,841,169	9,552,257
- Deferred tax assets to be recovered within 12 months	11,606,854	10,083,736
	15,448,023	19,635,993
Net Deferred Tax Liabilities	969,328,187	1,040,026,705

10 EARNINGS PER SHARE

10.1 Basic Earnings Per Share amounts are calculated by dividing the profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

10.2 The following reflects the income and share data used in the Basic Earnings Per Share computation.

Amounts Used as the Numerator:	2026 Rs.	2025 Rs.
Profit Attributable to Ordinary Shareholders	221,118,142	167,433,598

Number of Ordinary Shares Used as the Denominator:	2026 Number	2025 Number
Weighted Average Number of Ordinary Shares in Issue Applicable to Basic Earnings Per Share (Note 17)	63,242,954	63,242,954
Earnings Per Share - Basic / Diluted	3.50	2.65

As there were no potential ordinary shares outstanding as at the year end, Diluted Earnings per Share is equal to the Basic Earnings per Share for the year, and last year.

11 PROPERTY, PLANT & EQUIPMENT

11.1 Gross Carrying Amounts

Year Ended 31 March 2025	Balance As at 01.04.2024 Rs.	Additions Rs.	Transfer on Revaluation Rs.	Revaluation Surplus Rs.	Balance As at 31.03.2025 Rs.
At Cost					
Furniture, Fittings and Equipment	381,932,285	14,730,917	Nil	Nil	396,663,202
Plant, Machinery and Equipment	328,380,039	29,521,332	Nil	Nil	357,901,371
Cutlery and Crockery	64,603,847	20,178,372	Nil	Nil	84,782,219
	774,916,171	64,430,621	Nil	Nil	839,346,792
At Valuation					
Land and Improvements	891,000,000	Nil	Nil	637,200,000	1,528,200,000
Buildings and Swimming Pools on Freehold Land	1,915,296,696	56,361,080	(137,443,782)	588,786,007	2,423,000,001
Motor Vehicles	215,660	13,258,742	Nil	Nil	13,474,402
	2,806,512,356	69,619,822	(137,443,782)	1,225,986,007	3,964,674,403
Total Value of Depreciable Assets	3,581,428,527	134,050,443	(137,443,782)	1,225,986,007	4,804,021,195

Year Ended 31 March 2026	Balance As at 01.04.2025 Rs.	Additions Rs.	Re-Classification Rs.	Disposals Rs.	Balance As at 31.03.2026 Rs.
At Cost					
Furniture, Fittings and Equipment	396,663,202	24,773,873	5,496,073	(2,125,527)	424,807,621
Plant, Machinery and Equipment	357,901,371	50,330,306	(4,738,118)	(13,566,862)	389,926,697
Cutlery and Crockery	84,782,219	10,182,922	Nil	Nil	94,965,141
	839,346,792	85,287,101	757,955	(15,692,389)	909,699,459
At Valuation					
Land and Improvements	1,528,200,000	Nil	Nil	Nil	1,528,200,000
Buildings and Swimming Pools on Freehold Land	2,423,000,001	56,826,980	Nil	Nil	2,479,826,981
Motor Vehicles	13,474,402	15,174,461	Nil	Nil	28,648,863
	3,964,674,403	72,001,441	Nil	Nil	4,036,675,844
Total Value of Depreciable Assets	4,804,021,195	157,288,542	757,955	(15,692,389)	4,946,375,303

11 PROPERTY, PLANT & EQUIPMENT (CONTD.)

11.2 In the Course of Construction

Year Ended 31 March 2025	Balance As at 01.04.2024 Rs.	Additions Rs.	Transfer out Rs.	Balance As at 31.03.2025 Rs.
Capital work in progress	2,331,700	532,772	(2,288,196)	576,276
	2,331,700	532,772	(2,288,196)	576,276

Year Ended 31 March 2026	Balance As at 01.04.2025 Rs.	Additions Rs.	Transfer out Rs.	Balance As at 31.03.2026 Rs.
Capital work in progress	576,276	57,200,136	(56,196,695)	1,579,717
	576,276	57,200,136	(56,196,695)	1,579,717

11.3 Accumulated Depreciation

Year Ended 31 March 2025	Balance As at 01.04.2024 Rs.	Charge for the Year Rs.	Transfer on Revaluation Rs.	Balance As at 31.03.2025 Rs.
At Cost				
Furniture, Fittings and Equipment	353,652,911	30,630,208	Nil	384,283,119
Plant, Machinery and Equipment	238,319,649	11,968,054	Nil	250,287,703
Cutlery and Crockery	34,655,022	18,678,177	Nil	53,333,199
	626,627,582	61,276,439	Nil	687,904,021
At Valuation				
Buildings and Swimming Pools on Freehold Land	90,361,290	47,082,493	(137,443,783)	Nil
Motor Vehicles	215,660	110,490	Nil	326,150
	90,576,950	47,192,983	(137,443,783)	326,150
Total Accumulated Depreciation	717,204,532	108,469,422	(137,443,783)	688,230,171

11 PROPERTY, PLANT & EQUIPMENT (CONTD.)

Year Ended 31 March 2026	Balance As at 01.04.2025 Rs.	Charge for the Year Rs.	Re-Classification	Disposals Rs.	Balance As at 31.03.2026 Rs.
At Cost					
Furniture, Fittings and Equipment	384,283,119	26,296,338	(42,330,451)	(2,125,527)	366,123,479
Plant, Machinery and Equipment	250,287,703	22,162,986	42,838,935	(13,209,475)	302,080,149
Cutlery and Crockery	53,333,199	24,558,594	Nil	Nil	77,891,793
	687,904,021	73,017,918	508,484	(15,335,002)	746,095,421
At Valuation					
Buildings and Swimming Pools on Freehold Land	Nil	40,583,664	Nil	Nil	40,583,664
Motor Vehicles	326,150	2,463,959	Nil	Nil	2,790,109
	326,150	43,047,623	Nil	Nil	43,373,773
Total Accumulated Depreciation	688,230,171	116,065,541	508,484	(15,335,002)	789,469,194

11.4 Net Book Value

As at 31 March	2026 Rs.	2025 Rs.
At Cost		
Furniture, Fittings and Equipment	58,684,142	12,380,083
Plant, Machinery and Equipment	87,846,548	107,613,668
Cutlery and Crockery	17,073,348	31,449,020
	163,604,038	151,442,771
At Valuation		
Land and Improvements	1,528,200,000	1,528,200,000
Buildings and Swimming Pools on Freehold Land	2,439,243,317	2,423,000,001
Motor Vehicles	25,858,754	13,148,252
	3,993,302,071	3,964,348,253
In the Course of Construction		
Capital work in progress	1,579,717	576,276
Total Carrying Amount of Property, Plant and Equipment	4,158,485,826	4,116,367,300

11.5 During the financial year, the Company acquired Property, Plant and Equipment to the aggregate value of Rs. 158,291,983 (2025 - Rs. 134,050,443), the consideration of which was settled by cash.

11.6 Property, Plant and Equipment of the Company includes fully depreciated assets having a gross carrying amounts of Rs. 595,832,872 (2025 - Rs. 555,015,721).

11.7 No borrowing cost has been capitalised during the year (2025 - Rs. Nil).

11 PROPERTY, PLANT & EQUIPMENT (CONTD.)

11.8 The Company's properties are stated at revalued amounts in accordance with its accounting policy, with the most recent revaluation carried out in 31 March 2025. The valuation was performed by Mr. W.M. Chandrasena, an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the revalued properties. The surplus arising from this revaluation has been transferred to the revaluation reserve.

11.8.1 The following table shows that valuation techniques used in measuring the land and buildings on freehold land as well as significant unobservable inputs used.

Property	Category	Number of Assets	Extent	Method of Valuation	Range of Estimates for Unobservable Inputs	Valuation	Sensitivity of the input to the fair value	Significant Unobservable Inputs	Date of Valuation
Land at Waikkal	-	-	15A 3R 27P	Market Basis Valuation	Rs. 600,000 per perch	1,528,200,000	Positively Correlated	Price per perch of land	31 March 2025
Buildings at Waikkal	Luxury Accommodation	6	220,339 Sq. Ft 154 Rooms	Depreciated Replacement Cost	Rs. 15,000 to Rs. 18,000 per sq.ft Depreciation rate - 10% to 22.50%	2,423,000,000	Positively Correlated	Replacement cost per square foot	31 March 2025
	Premium Facilities	7			Rs. 10,000 to Rs. 11,000 per sq.ft Depreciation rate - 17.50% to 22.50%				
	Standard Facilities	5			Rs. 5,000 to Rs. 9,500 per sq.ft Depreciation rate - 22.50% to 32.50%			Depreciation rate (Allowance for Physical Deterioration)	
	Basic/Utility Structures	2			Rs. 3,000 to Rs. 3,500 per sq.ft Depreciation rate - 27.50%				

11.8.2 The movement of revaluation reserve and other information are disclosed under Note 18.1.

11.8.3 There was no material impact between the revalued amount and the carrying value of Motor Vehicles as at 31 March 2025 given the insignificance of the value of Motor Vehicles involved.

11.8.4 The carrying amount of revalued assets that would have been included in the financial statements had the assets been carried at cost less depreciation is as follows:

Class of Asset	Cost Rs.	Cumulative Depreciation If Assets were Carried at Cost Rs.	Net Carrying Amount 2026 Rs.	Net Carrying Amount 2025 Rs.
Land and Improvements	10,051,397	Nil	**10,051,397**	10,051,397
Buildings and Swimming Pool on Freehold Land	1,362,836,681	423,864,512	**938,972,169**	922,728,853
Motor Vehicles	28,648,863	2,790,108	**25,858,754**	13,148,252
	1,401,536,941	426,654,620	**974,882,320**	945,928,502

12 INTANGIBLE ASSETS

As at 31st March Computer Software	Notes	2026 Rs.	2025 Rs.
At Cost			
As at 01 April		6,037,943	6,037,943
Re-Classification to PPE	11.1	(757,955)	Nil
As at 31 March		5,279,988	6,037,943
Amortisation & Impairment			
As at 01 April		5,192,537	4,397,957
Amortisation	8	595,935	794,580
Re-Classification to PPE	11.3	(508,484)	Nil
As at 31 March		5,279,988	5,192,537
Carrying Value		Nil	845,406

12.1 Intangible assets are amortised over their useful economic lives and useful economic lives are estimated as 5 - 10 years.

12.2 Intangible assets of the Company include fully depreciated assets having a gross carrying amounts of Rs. 5,279,988 (2025 - Rs. 1,307,088).

12.3 Amortisation expense of Rs. 595,935 (2025 – Rs. 794,580) has been charged as administration expenses.

13 OTHER FINANCIAL ASSETS

As at 31 March	Note	2026 Rs.	2025 Rs.
Other Financial Assets - Non - Current	13.1	633,526	1,999,589
Other Financial Assets - Current	13.2	556,135,277	661,178,326
		556,768,803	663,177,915

13.1 Other Financial Assets - Non Current

The Company has investments in unquoted equity shares of Rainforest Ecolodge (Private) Limited.

As at 31 March	Note	2026 Rs.	2025 Rs.
Investments in Equity Securities	13.1.1	633,526	1,999,589
		633,526	1,999,589

13.1.1 Investment in Equity Securities

Unquoted - Fair Value Through OCI Investments - Rainforest Ecolodge (Private) Limited

As at 31 March	2026 No. of Shares	2025 No. of Shares	2026 Rs.	2025 Rs.
As at 01 April	400,000	400,000	1,999,589	2,682,566
Change in Fair Value (Note 18.2)	Nil	Nil	(1,366,063)	(682,977)
As at 31 March	400,000	400,000	633,526	1,999,589

13 OTHER FINANCIAL ASSETS (CONTD.)

Investment in Equity Securities solely comprises application and allotment money paid to Rainforest Ecolodge (Private) Limited for the purchase of 400,000 ordinary shares of Rs.10 each. The investment is designated at fair value through other comprehensive income (FVOCI) as it is held for strategic long-term purposes and not for trading. The Investment is classified within Level 3 of the fair value hierarchy due to the use of significant unobservable inputs.

The fair value of the unquoted equity investment in Rainforest Ecolodge (Private) Limited has been determined using a Price-to-Book Value (P/BV) methodology, which is based on the net asset position of the investee company as at the reporting date. Management considers this valuation technique to be appropriate given the nature and current stage of operations of the investee.

The significant unobservable input used in determining the fair value is the adjusted net asset value of the investee company. An increase/(decrease) in the net asset value would result in a corresponding increase/(decrease) in the fair value of the investment. During the current year, the valuation methodology was revised from a market multiple approach to a net asset-based approach to better reflect the underlying value of the investee based on the information available at the reporting date.

No dividend income was recognised from equity investments designated at FVOCI during the year (2025 - Rs. Nil).

13.2 Other Financial Assets - Current

As at 31 March	Note	2026 Rs.	2025 Rs.
Loans granted to related companies	13.2.1	556,135,277	661,178,326
		556,135,277	661,178,326

13.2.1 Loans granted to related companies

Entity	Relationship	As at 01.04.2025 Rs.	Interest Rs.	Foreign Exchange Gain Rs.	Loan Repayments Rs.	As at 31.03.2026 Rs.	Repayment Terms	Rates of Interest
Serendib Hotels PLC	Immediate Parent Company	661,178,326	30,073,876	34,152,825	(169,269,750)	556,135,277	On Demand	SONIA + 3.40%
		661,178,326	30,073,876	34,152,825	(169,269,750)	556,135,277		

The carrying amounts of these financial assets approximate their fair values as the loans carry interest rates that are consistent with prevailing market rates for similar instruments and are repayable on terms reflecting current market conditions.

Accordingly, the fair value of these financial assets is not significantly different from their carrying amounts.

14 INVENTORIES

As at 31 March	2026 Rs.	2025 Rs.
Food	12,571,798	13,667,737
Beverage	10,401,449	10,312,418
House - Keeping and Maintenance	15,120,934	14,666,765
	38,094,181	38,646,920

The total consumption of inventories recognised in cost of sales during the year amounted to Rs. 440,542,149 (2025 - Rs. 424,852,460).

15 TRADE AND OTHER RECEIVABLES

As at 31 March	Notes	2026 Rs.	2025 Rs.
Trade Debtors	15.1	272,889,547	416,436,669
		272,889,547	416,436,669
Less: Provision for Impairment of trade receivables	15.2	(17,905,015)	(32,613,147)
		254,984,532	383,823,522
Other Debtors		11,903,199	2,931,886
Advances and Prepayments		65,537,205	43,774,717
		77,440,404	46,706,603
Other Receivables from Related Parties	15.4	607,972,043	182,312,878
Loans and Advances to Company Officers	15.3	283,791	300,124
		608,255,834	182,613,002
		940,680,770	613,143,127

15.1 Trade Debtors Age Analysis

		Total Rs.	Neither past due nor impaired Rs.	30-90 days Rs.	91-120 days Rs.	>120 days Rs.
2026	Trade Debtors	272,889,547	149,495,050	106,401,639	8,348,081	8,644,777
	Expected Loss Rate		Nil	9%	26%	69%
	Less: Provision for Impairment of Trade Receivables	(17,905,015)	Nil	(9,812,389)	(2,153,792)	(5,938,834)
		254,984,532	149,495,050	96,589,250	6,194,289	2,705,943
2025	Trade Debtors	416,436,669	165,755,720	152,236,162	31,842,747	66,602,040
	Expected Loss Rate		Nil	Nil	1%	48%
	Less: Provision for Impairment of Trade Receivables	(32,613,147)	Nil	Nil	(318,427)	(32,294,720)
		383,823,522	165,755,720	152,236,162	31,524,320	34,307,320

15 TRADE AND OTHER RECEIVABLES (CONTD.)

15.2 The Movement of the Provision for Impairment of Trade Receivables

	2026			2025		
	Individual Impairment	Collective Impairment	Total Impairment	Individual Impairment	Collective Impairment	Total Impairment
As at 01 April	21,299,951	11,313,196	32,613,147	13,109,744	7,419,386	20,529,130
(Reversal of Provision) / Provision for Impairment (Note 8)	(21,299,951)	6,591,819	(14,708,132)	8,190,207	3,893,810	12,084,017
As at 31 March	Nil	17,905,015	17,905,015	21,299,951	11,313,196	32,613,147

The Company applies the SLFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The Company has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 31 March 2026 or 1 April 2025 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company has identified the GDP to be the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes.

15.3 Loans and Advances to Company Officers

As at 31 March	2026 Rs.	2025 Rs.
As at 01 April	300,124	228,124
Loans Granted during the Year	2,245,000	1,185,000
Less: Repayments	(2,261,333)	(1,113,000)
As at 31 March	283,791	300,124

15.4 Other Receivables From Related Parties

As at 31 March	Relationship	2026 Rs.	2025 Rs.
Serendib Hotels PLC	Immediate Parent Company	Nil	2,897,639
Hotel Sigiriya PLC	Subsidiary of Immediate Parent Company	Nil	182,966
Serendib Leisure Management Limited	Subsidiary of Immediate Parent Company	Nil	4,828,867
Millennium Development (Private) Limited	Subsidiary of Intermediate Parent Company	31,153,860	10,153,860
Dickwella Resorts (Private) Limited	Subsidiary of Intermediate Parent Company	Nil	239,971
Eden Hotel Lanka PLC	Intermediate Parent Company	Nil	2,746,512
Green Paradise (Private) Limited	Subsidiary of Intermediate Parent Company	Nil	569,880
Frontier Capital Lanka (Private) Limited	Subsidiary of Immediate Parent Company	Nil	220
Sun and Fun Resorts Limited	Subsidiary of Intermediate Parent Company	526,036	199,512
Excel Restaurants (Private) Limited	Subsidiary of Intermediate Parent Company	25,072,500	15,060,000
Taprobane Plantation Limited	Subsidiary of Intermediate Parent Company	21,656,469	402,265
Browns Leisure Private Limited	Subsidiary of Intermediate Parent Company	Nil	571,252
Sansun Boutique Hotel Limited	Subsidiary of Intermediate Parent Company	Nil	126,827,623
Three Tips Ella (Private) Limited	Subsidiary of Intermediate Parent Company	529,563,178	17,632,311
		607,972,043	182,312,878

16 CASH AND CASH EQUIVALENTS

16.1 Favourable Cash and Cash Equivalents Balances

As at 31 March	Note	2026 Rs.	2025 Rs.
Cash and Bank Balances		286,849,418	238,622,177
Money Market Investments	16.3	272,336,266	339,426,940
		559,185,684	578,049,117

16.2 Unfavourable Cash and Cash Equivalent Balances

Bank Overdraft		(29,961,244)	(50,879,985)
Cash and Cash Equivalents for the Purpose of Statement of Cash Flows		529,224,440	527,169,132
The interest rate exposure of the borrowings of the Company was as follows:			
Total borrowings:			
- at floating rates		29,961,244	50,879,985
Weighted Average effective interest rates:			
- bank overdrafts		AWPLR + 0.25%	AWPLR + 0.25%

(a) The Company has not pledged any securities for the bank overdraft facility which the Company have obtained from Hatton National Bank PLC.

(b) The exposure of the Company's borrowings to interest rate changes and the contractual repricing dates at the end of the reporting period are as follows:

As at 31 March	Note	2026 Rs.	2025 Rs.
3 Months or less	16.2	29,961,244	50,879,985
		29,961,244	50,879,985

16.3 Movement of Commercial Papers Investment

As at 31 March	2026 Rs.	2025 Rs.
As at 01 April	339,426,940	430,504,678
Investments and Reinvestments During the Year	1,551,956,523	2,626,032,884
Interest Accrued During the Year	27,981,027	32,549,289
Matured During the year	(1,285,464,736)	(2,749,659,911)
Withdrawals During the year	(361,563,488)	Nil
As at 31 March	272,336,266	339,426,940

17 STATED CAPITAL

As at 31 March	2026	2025	2026	2025
	No. of shares		Rs.	Rs.
Fully Paid Ordinary Shares	63,242,954	63,242,954	948,644,310	948,644,310
			948,644,310	948,644,310

17.1 The holders of ordinary shares possess the right to receive dividends as declared from time to time. The holders of ordinary shares are entitled to one vote per share at a meeting of the Company.

Ordinary shares of the Company do not have a par value.

For the purpose of calculation of basic earnings per share, the weighted average number of shares have been considered based on the date of issue of shares.

18 OTHER COMPONENTS OF EQUITY

Reserves

As at 31 March	Note	2026 Rs.	2025 Rs.
Revaluation Reserve	18.1	1,973,855,558	1,973,855,558
Fair Value Reserve	18.2	(3,366,474)	(2,000,411)
		1,970,489,084	1,971,855,147

18.1 Revaluation Reserve

As at 31 March	Note	2026 Rs.	2025 Rs.
As at 01 April		1,973,855,558	1,115,665,353
Revaluation Surplus During the year		Nil	1,225,986,007
Deferred Tax Attributable to Revaluation Surplus	9.2.2	Nil	(367,795,802)
As at 31 March		1,973,855,558	1,973,855,558

The above revaluation surplus consists of net surplus resulting from the revaluation of building on freehold land, land and swimming pool as described in note 11.8. Once the respective revalued items are disposed, the relevant portion of revaluation surplus is transferred to retained earnings.

18.2 Fair Value Reserve

As at 31 March	Note	2026 Rs.	2025 Rs.
As at 01 April		(2,000,411)	(1,317,434)
Change in Fair Value	13.1.1	(1,366,063)	(682,977)
As at 31 March		(3,366,474)	(2,000,411)

The Fair Value Reserve consists of the net deficit resulting from the fair valuation of investments in Fair Value Through OCI instruments as described in the note 13.1.1.

19 RETAINED EARNINGS

	Rs.
Balance as at 01 April 2024	1,341,282,974
Net profit for the year	167,433,598
Other Comprehensive Income Arising from Measurement of Defined Benefit Obligation, Net of Tax	4,614,567
Balance as at 31 March 2025	1,513,331,139
Balance as at 01 April 2025	1,513,331,139
Unclaimed Dividends Written Back to Retained Earnings	3,754,046
Net Profit for the Year	221,118,142
Other Comprehensive Income Arising from Measurement of Defined Benefit Obligation, Net of Tax	3,030,177
Balance as at 31 March 2026	1,741,233,504

20 RETIREMENT BENEFIT OBLIGATIONS

	Notes	2026 Rs.	2025 Rs.
As at 01 April		32,840,165	33,904,489
Charge for the Year	20.1	6,344,413	6,716,135
Actuarial Gain	20.2	(4,328,825)	(6,592,239)
Benefit Paid		(1,267,354)	(1,188,220)
As at 31 March		33,588,399	32,840,165

20.1 Expense Recognised in Statement of Profit or Loss

Year ended 31 March	2026 Rs.	2025 Rs.
Current Service Cost	2,479,634	2,308,552
Interest Cost	3,864,779	4,407,583
	6,344,413	6,716,135

20.2 Actuarial Gains Immediately Recognised In Other Comprehensive Income

Year ended 31 March	2026 Rs.	2025 Rs.
Due to experience	(4,702,664)	(6,436,419)
Due to changes in financial assumptions	302,717	(155,820)
Due to changes in demographic assumptions	71,122	Nil
	(4,328,825)	(6,592,239)

Units Actuaries & Consultants (Private) Limited carried out an actuarial valuation of the retirement benefit obligations on 31 March 2026. Appropriate and compatible assumptions were used in determining the cost of retirement benefits. The principle assumptions used are as follows:

20 RETIREMENT BENEFIT OBLIGATIONS (CONTD.)

20.2 Actuarial Gains Immediately Recognised In Other Comprehensive Income (Contd.)

As at 31st March	2026	2025
Financial Assumptions		
Discount Rate	9.50%	12.00%
Future Salary Increment Rate	8.00%	10.00%
Demographic Assumptions		
Rate of Employee Turnover	20.00%	20.00%
Retirement Age	60 Years	60 Years
Average Expected Future Service	3.9 Years	4.4 Years

20.3 Sensitivity of Assumptions in Actuarial Valuation

The following table demonstrates the sensitivity to possible changes in key assumptions employed with all other variables held constant in the Retiring Gratuity Obligation measurement as at 31 March 2026. The sensitivity of the Statement of Financial Position and Statement of Comprehensive Income is the effect of the assumed changes in the discount rate, salary increment rate and rate of employee turnover on the profit or loss and Retiring Gratuity obligation for the year.

	2026		2025	
	Delta Effect of +1%	Delta Effect of (-1%)	Delta Effect of +1%	Delta Effect of (-1%)
(Increase) / Decrease in Discount Rate	(1,169,840)	1,252,922	(1,194,933)	1,287,455
Increase / (Decrease) in Salary Increment Rate	1,395,665	(1,324,072)	1,437,865	(1,355,724)
Increase / (Decrease) in Employee Turnover	12,066	(22,624)	120,027	(140,300)

20.4 Following Discounted Payments are Expected Over the Weighted Average Life Span Obligation on the Future Years:

Years From the Current Period	2026 Rs.	2025 Rs.
Within the next 12 months	6,646,818	6,560,931
Between 1 to 2 years	8,941,916	8,965,190
Between 3 to 5 years	11,362,775	9,597,337
Between 6 to 10 years	5,274,187	5,804,871
Beyond 10 years	1,362,703	1,911,836
	33,588,399	32,840,165

21. TRADE AND OTHER PAYABLES

As at 31 March		Notes	2026 Rs.	2025 Rs.
Trade Payable			88,650,913	98,132,542
Other Payables and Provision	- Related Parties	21.1	125,580,036	24,464,606
	- Others [See Note (a) below]		222,636,977	198,016,621
Contract Liabilities		21.2	29,751,554	14,586,122
Sundry Creditors Including Accrued Expenses [See Note (b) below]			53,952,949	51,036,567
			520,572,429	386,236,458

(a) Other payables and provisions mainly consist of Non Trade Payable of Rs. 15,444,820 (2025 - Rs. 14,631,292), Service Charges Payable of Rs. 15,680,390 (2025 - Rs. 16,440,642), Retention Fees Payable of Rs. 7,982,112 (2025 - Rs. 7,982,112), Provision for Pradeshiya Sabha Levy of Rs.78,510,518 (2025 - Rs. 62,523,798) and Provision for Road Construction of Rs. 78,269,254 (2025 - Rs.Nil).

Provision for Pradeshiya Sabha Levy

The Wennappuwa Pradeshiya Sabha has filed multiple cases against Dolphin Hotels PLC at the Magistrate Court - Marawila, for operating the hotel without obtaining the necessary licenses from the Pradeshiya Sabha for the years 2016 through 2023. These cases are currently at the hearing stage and remain pending final adjudication.

Notwithstanding the ongoing legal proceedings, the Company has recognised a full provision for the levy from 2016 onwards up to the reporting date, amounting to Rs. 78,510,518 (2025 - Rs. 62,523,798), which includes amounts claimed in the filed cases as well as provisions made for subsequent periods for which claims have not yet been instituted (Note 23.2).

Provision for Road Construction

The Company recognised a provision of Rs. 78,269,254 (2025 - Rs. Nil) in respect of the estimated cost of reconstructing the access road leading to the hotel premises in Waikkal, Negombo.

Prior to the reporting date, the condition of the access road had significantly deteriorated, adversely affecting access to the hotel and resulting in complaints from the regulators and other various stakeholders. Following regulators and stakeholder communications received before the reporting date and the Company's commitment to undertake corrective action, management concluded that a constructive obligation existed as at 31 March 2026.

The provision represents management's best estimate of the expenditure required to undertake the reconstruction work based on contractor quotations and other information available at the reporting date. The related expenditure is expected to be incurred within the next financial year. While management believes the provision represents the best estimate of the obligation, the final cost may vary depending on the actual scope of work and market conditions prevailing at the time the reconstruction is carried out.

(b) Sundry creditors mainly consist of bonus payable of Rs. 35,410,791 (2025 - Rs. 29,216,935) and other accrued expenses amounting to Rs. 18,542,158 (2025 - Rs. 21,819,632).

(c) The average credit period of the Company is 60 days.

21.1 Other Payable to Related Parties

As at 31 March	Relationship	2026 Rs.	2025 Rs.
Serendib Hotels PLC	Immediate Parent Company	19,150	Nil
Hotel Sigiriya PLC	Subsidiary of Immediate Parent Company	437,500	Nil
Serendib Leisure Management Limited	Subsidiary of Immediate Parent Company	42,719,845	Nil
LOLC Holdings PLC	Ultimate Parent Company	154,992	1,565,711
LOLC Technologies Limited	Subsidiary of Ultimate Parent Company	106,787	2,614,056
LOLC Corporate Service (Private) Limited	Subsidiary of Ultimate Parent Company	300,000	100,000
Eden Hotel Lanka PLC	Intermediate Parent Company	8,616,296	235,055
Sansun Boutique Hotel Limited	Subsidiary of Intermediate Parent Company	25,515,117	Nil
Browns Hotels Resorts Limited	Intermediate Parent Company	32,010,349	2,249,784
Browns Investments PLC	Intermediate Parent Company	15,700,000	17,700,000
		125,580,036	24,464,606

21.2 Contract Liabilities

As at 31 March	2026 Rs.	2025 Rs.
As at 01 April	14,586,122	18,252,381
Revenue Recognised During the Year	(511,203,825)	(250,949,293)
Additions	526,369,257	247,283,034
As at 31 March	29,751,554	14,586,122

Contract liabilities represent advance payments received from guests for accommodation and related services. These advance payments are generally received prior to the guest stay and are recognised as revenue when the services are rendered.

Based on the nature of the hotel operations, performance obligations are usually satisfied within a short period of time. Accordingly, the contract liability balance as at the reporting date is expected to be recognised as revenue within the next reporting period.

22 DIVIDEND PAYABLE

As at 31 March	2026 Rs.	2025 Rs.
Unclaimed Dividend	Nil	3,754,046
	Nil	3,754,046

During the year, unclaimed dividends amounting to Rs. 3,754,046 were written back to retained earnings (2025 - Rs. Nil)

23 COMMITMENTS AND CONTINGENCIES

23.1 Commitments

There were no material capital, operating and financial commitments existed as at 31 March 2026.

23.2 Contingencies

With reference to the matter relating to the Pradeshiya Sabha disclosed in Note 21, the provision recognised by the Company includes both amounts claimed in legal proceedings instituted for the respective periods and management's best estimate of obligations arising from past periods for which claims have not yet been formally filed.

The provision has been recognised based on management's assessment that an outflow of economic resources is probable and that a reliable estimate of the obligation can be made. However, as the legal proceedings remain ongoing and the ultimate resolution is subject to judicial determination, uncertainty continues to exist regarding the timing and final amount of settlement. Accordingly, additional disclosures have been provided to enable users of the financial statements to understand the nature of the matter and the uncertainties associated with the provision recognised.

Except for the above, there were no other material contingencies outstanding at the statement of financial position date.

24 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.

25 RELATED PARTY DISCLOSURES

25.1 Terms and conditions of transactions with related parties

All related party transactions are conducted on terms agreed by management. Outstanding related party balances at the reporting date are unsecured and are to be settled in cash. Interest-bearing borrowings are at pre-determined interest rates and terms, based on the risk profiles of the related entities.

Terms and conditions on loans granted to related parties are disclosed in note 13.2.1 to these financial statements.

25.2 Non-recurrent related party transactions

There were no non-recurrent Related Party Transactions which in aggregate value exceeds 10% of the equity or 5% of the total assets whichever is lower of the Company as per 31 March 2025 audited financial statements, which required additional disclosures in the 31 March 2026 Annual Report under Colombo Stock Exchange listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions under the Security Exchange Commission Directive issued under Section 13(c) of the Security Exchange Commission Act.

25.3 Recurrent related party transactions

Name of the Related Party	Nature of the Transaction	Value of the Related Party Transaction	Relationship	Value of the Related Party Transaction a % of the Revenue	Terms and conditions of the Related Party Transactions
Browns Investments PLC	Aggregate recurrent transactions	(205,000,000)	Intermediate Parent Company	14%	Management Agreed Terms
Three Tips Ella Private Limited	Aggregate recurrent transactions	591,930,867	Subsidiary of Intermediate Parent	41%	Management Agreed Terms
Serendib Leisure Management Limited	Aggregate recurrent transactions	(187,276,354)	Subsidiary of Immediate Parent	13%	Management Agreed Terms

There were no other recurrent related party transactions which in aggregate value exceeds 10% of the revenue of the Company as per 31 March 2025 audited financial Statements, which required additional disclosures in the 31 March 2026 Annual Report under Colombo Stock Exchange listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions under the Security Exchange Commission Directive issued under Section 13(c) of the Security Exchange Commission Act.

25 RELATED PARTY DISCLOSURES (CONTD.)

Details of significant related party disclosures are as follows:

25.4 Transactions with the Ultimate Parent, Parent and Related Entities

Nature of Transaction	Ultimate Parent LOLC Holdings PLC		Immediate Parent Serendib Hotels PLC		*Other Related Parties		Total	
	2026 Rs.	2025 Rs.	2026 Rs.	2025 Rs.	2026 Rs.	2025 Rs.	2026 Rs.	2025 Rs.
Expenses Incurred by the Company on Behalf of Other Inter-Companies	Nil	Nil	Nil	Nil	23,717,995	17,953,874	23,717,995	17,953,874
Purchase of Goods / Services	(9,503,516)	(17,656,919)	Nil	(419,404)	Nil	(3,151,656)	(9,503,516)	(21,227,979)
Temporary Funding Support to Related Parties	Nil	Nil	Nil	Nil	649,421,682	Nil	649,421,682	Nil
Finance Income on Loans Granted (Note 7.2)	Nil	Nil	30,073,876	37,047,557	Nil	Nil	30,073,876	37,047,557
Finance Income on Current Account Balances (Note 7.2)	Nil	Nil	Nil	Nil	47,131,365	7,800,204	47,131,365	7,800,204
Management Fees (VAT exclusive) (Note 8)	Nil	Nil	Nil	Nil	(112,848,180)	(93,712,418)	(112,848,180)	(93,712,418)
Finance Charges on Current Account Balances (Note 7.1)	(85,765)	(2,076,913)	Nil	Nil	Nil	(447,547)	(85,765)	(2,524,460)
Expenses Incurred on Behalf of the Company	Nil	Nil	Nil	Nil	(88,417,941)	(120,086,460)	(88,417,941)	(120,086,460)
Accounting Fees (VAT exclusive) (Note 8)	Nil	Nil	Nil	Nil	(1,292,308)	(1,486,800)	(1,292,308)	(1,486,800)
Consultancy Fees (Note 8)	Nil	Nil	Nil	Nil	Nil	(17,700,000)	Nil	(17,700,000)
Treasury and Funding Management Fee (VAT exclusive) (Note 8)	Nil	Nil	Nil	Nil	(49,200,000)	Nil	(49,200,000)	Nil
Hyperion Financial Management Support Services (VAT exclusive) (Note 8)	Nil	Nil	Nil	Nil	(82,000,000)	Nil	(82,000,000)	Nil
Marketing and Promotional Expenses (VAT exclusive) (Note 8)	Nil	Nil	Nil	Nil	(36,900,000)	Nil	(36,900,000)	Nil
Tax Consultancy Fees (VAT exclusive) (Note 8)	Nil	Nil	Nil	Nil	(36,900,000)	Nil	(36,900,000)	Nil
Sales Promotional Costs (Note 8)	Nil	Nil	Nil	Nil	(11,625,000)	Nil	(11,625,000)	Nil
Charges for Ground Staff Services (Note 8)	Nil	Nil	Nil	Nil	(24,000,000)	Nil	(24,000,000)	Nil
Secretarial Fees (Note 8)	Nil	Nil	Nil	Nil	(1,200,000)	(1,200,000)	(1,200,000)	(1,200,000)
Settlement of Dues from Related Parties	Nil	Nil	(3,202,651)	(313,033)	(289,483,818)	(2,474,627)	(292,686,469)	(2,787,660)
Settlement of Dues to Related Parties	11,000,000	59,614,873	Nil	539,404	397,377,382	468,764,689	408,377,382	528,918,966
Net Investments in Commercial Papers	272,336,267	Nil	Nil	Nil	(339,426,940)	(91,077,738)	(67,090,673)	(91,077,738)
Finance Income from Commercial Papers (Note 7.2)	10,336,266	9,024,935	Nil	Nil	17,644,761	23,524,354	27,981,027	32,549,289
Exchange Gain on Loans Granted (Note 13.2.1)	Nil	Nil	34,152,825	3,817,421	Nil	Nil	34,152,825	3,817,421
Loan Repayment from Related Parties (Note 13.2.1)	Nil	Nil	(169,269,750)	(40,000,000)	Nil	Nil	(169,269,750)	(40,000,000)
	284,083,252	48,905,976	(108,245,700)	671,945	61,998,998	186,705,875	237,836,550	236,283,796

25 RELATED PARTY DISCLOSURES (CONTD.)

25.4 Transactions with the Ultimate Parent, Parent and Related Entities (Contd)

*Other Related Parties	Hotel Sigiriya PLC Serendib Leisure Management Limited. Sun & Fun Resorts Limited Dickwella Resorts (Private) Limited Millennium Development (Private) Limited Browns Leisure (Private) Limited Frontier Capital Lanka (Private) Limited Browns Hotels and Resorts Limited Taprobane Plantation Limited Three Tips Ella (Private) Limited Sansun Boutique Hotels Limited Excel Restaurants (Private) Limited Green Paradise (Private) Limited Eden Hotel Lanka PLC LOLC Corporate Service (Private) Limited LOLC Technologies Limited Browns Investments PLC
Management Fees	Management fees are paid based on the Hotel Management Agreement entered into with Serendib Leisure Management Limited.
Expenses Incurred	Expenses Incurred on behalf of / by Related Parties are reimbursed on actual cost basis.
Loans	Information relating to loans granted to related parties are disclosed in note 13.
Purchase of Goods and Services	Purchase of Goods and Services are based on commercial terms agreed by management.
Finance Income / Charges - Current Accounts	Finance income or charges on intercompany balances are recognised on outstanding current account balances in accordance with terms agreed by management. The applicable interest rates are determined with reference to prevailing commercial paper rates set by the Browns Group Treasury Department.
Accounting Fees	Accounting fees are paid based on the management agreement entered into with Serendib Leisure Management Limited.
Secretarial Fees	LOLC Corporate Service (Private) Limited provides corporate secretarial services including statutory filings, maintenance of registers, and coordination of board/shareholder meetings and charged are made based on management agreed terms.
Consultancy Fees	Energy efficiency enhancements, power optimisation, green building compliance, and related consultancy services were provided and charged at management agreed terms by Browns Investments PLC.
Treasury and Funding Management Fee	Charges for centralised services, including cash flow management, financing support, and financial risk management, to enhance capital and liquidity management for the year ended 31 March 2026, charged based on management-agreed terms with Browns Investments PLC.
Hyperion Financial Management Support Services	Charges for Hyperion financial management support services relating to the implementation of a centralised financial reporting and consolidation system to improve reporting efficiency and accuracy, charged based on management-agreed terms with Browns Investments PLC.
Marketing and Promotional Expenses	Charges for centralised services, including brand management, advertising, and digital marketing, to support market presence and brand consistency for the year ended 31 March 2026, charged based on management-agreed terms with Browns Investments PLC.
Tax Consultancy Fees	Charges for centralised services, including tax compliance, advisory, and regulatory support, to ensure effective tax governance and compliance for the year ended 31 March 2026, charged based on management-agreed terms with Browns Investments PLC.
Sales Promotional Costs	Sales promotional activities conducted by Eden Hotel Lanka PLC and charged based on agreed terms.
Charges for Ground Staff Services	Due to a temporary shortage of ground staff at Dolphin Hotels PLC, caused by increased operational demands, it became necessary to supplement the workforce to maintain service quality and operational efficiency. To address this shortfall, ground staff from Sansun Boutique Hotels Limited were assigned to Dolphin Hotels PLC for the agreed service period from 01 December 2025 to 31 March 2026 and charged based on management agreed terms.

26 TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL OF THE COMPANY

The Key Management Personnel of the Company are the Board of Directors of the Company.

a] Key Management Personnel Compensation

Key Management Persons were paid Rs. 2,100,000/- during the year (2025 - Rs. 1,570,000).

b] Other Transactions With Key Management Personnel

There were no other transactions with the Key Management Personnel during the year (2025 - Rs. Nil).

27 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The fair values of the financial assets and liabilities are 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.

The following methods and assumptions were used to estimate the fair values:

The Fair values of Cash and short-term deposits, trade receivables and trade payables approximate their carrying amounts largely due to the short-term maturities of these instruments.

Long-term floating-rate receivables/borrowings are evaluated by the Company based on parameters such as interest rates, specific country risk factors, individual creditworthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, allowances are taken to account for the expected losses of these receivables. As at 31 March 2026, the carrying amounts of such receivables, net of allowances, are not materially different from their calculated fair values.

Investment in equity shares are carried at fair value .

The fair value of financial liabilities approximate their carrying values.

Set out below is a comparison by class of the carrying value of Company's financial instruments that are carried in the Financial Statements.

As at 31 March	2026 Rs.	2025 Rs.
Financial Assets:		
Trade and Other Receivables (Excluding Statutory Receivables, Advances and Prepayments)	863,240,366	566,436,524
Other Financial Assets - Investment in Equity Shares	633,526	1,999,589
Other Financial Assets - Loans Granted to Related Parties	556,135,277	661,178,326
Cash and Short Term Deposits	559,185,684	578,049,117
Total	1,979,194,853	1,807,663,556
Financial Liabilities:		
Trade and Other Payables (Excluding Statutory Payables and Contract Liabilities)	490,820,875	371,650,336
Bank Overdraft	29,961,244	50,879,985
Dividend Payable	Nil	3,754,046
Total	677,561,891	488,808,165

27 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONTD.)

27.1 Fair Value Hierarchy

The Company held the following financial instruments at fair value in the Statement of Financial Position as at the reporting dates:

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation techniques.

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

Level 2 — Other 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

Financial Assets	31 March 2026	Level 1	Level 2	Level 3
Investment in Equity Shares	633,526	Nil	Nil	633,526

Financial Assets	31 March 2025	Level 1	Level 2	Level 3
Investment in Equity Shares	1,999,589	Nil	Nil	1,999,589

Non-Financial Assets Measured at Fair Value	31 March 2026	Level 1	Level 2	Level 3
Land and Buildings	3,993,302,071	Nil	Nil	3,993,302,071
Motor Vehicles	25,858,754	Nil	Nil	25,858,754

Non-Financial Assets Measured at Fair Value	31 March 2025	Level 1	Level 2	Level 3
Land and Buildings	3,964,348,253	Nil	Nil	3,964,348,253
Motor Vehicles	13,148,252	Nil	Nil	13,148,252

28 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's principal financial liabilities, comprise trade and other payables. The main purpose of these financial liabilities is to finance the Company's operations and to provide guarantees to support its operations. The Company has loan and other receivables, trade and other receivables, and cash and short-term deposits that arrive directly from its operations. The Company also holds investments in equity securities designated at fair value through other comprehensive income (FVOCI).

The Company is exposed to market risk, credit risk and liquidity risk.

The Company's senior management oversees the management of these risks. Senior management is supported by the Board of Directors (BOD) that advises on financial risks and the appropriate financial risk governance framework for the Company. BOD provides assurance to the Company's senior management that the Company's financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with Company policies and risk appetite. It is the Group's policy that all derivative activities for risk management purposes are required to be approved by Board of Directors of Serendib Hotels PLC (the Immediate Parent Company).

The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below.

Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise four types of risk: interest rate risk, currency risk, commodity price risk and other price risk, such as equity price risk.

28 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTD.)

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.

In order to reduce the Interest rate risk, the Company implements the following strategies;

1) Proper mechanism to monitor the fluctuations in interest rates.

2) Work towards the low gearing ratio.

3) Internal funding sources rather than the external funding sources.

Variable rate instruments

As the Company did not have any interest-bearing borrowings during the year or as at the reporting date, other than a bank overdraft balance arising from book overdrafts, management is of the view that the company is not exposed to material interest rate risk during the current year.

Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense is denominated in a different currency from the Company's functional currency).

Currency risk is managed by the Group's treasury function that monitors foreign currency cash inflows and outflows and its closing position on a daily basis. The Group also monitors its exposure to movements in exchange rates on a net basis. Group estimates exchange rate to convert year end foreign currency denominated amounts based on published rates by the Central Bank of Sri Lanka.

Below are the spot exchange rates used by the Company as at 31 March 2026 and the date of signing financial statements.

Foreign Currency	As at Reporting Date 31 March 2026	As at Reporting date 31 March 2025
USD	311.85	296.35
EURO	356.93	319.86
GBP	411.69	383.78

Foreign currency sensitivity

A strengthening/weakening of the Rupees as indicated below, against the foreign currencies as at 31 March would have increased/(decreased) Profit or Loss by the amounts shown below

28 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTD.)

Foreign Currency	Change in exchange rate	Effect on Profit Before Tax	
		2026 Rs.	2025 Rs.
Euro	+1%	(11,136,645)	(1,454,279)
Euro	-1%	7,020,778	1,247,586
GBP	+1%	(22,101,163)	(12,716,775)
GBP	-1%	12,104,751	1,326,236
USD	+1%	(5,252,782)	(659,287)
USD	-1%	4,300,324	2,099,722

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty fails to meet its contractual obligations. For risk management reporting purposes, the Group considers and consolidates all elements of credit risk exposure.

The Company's maximum exposure to credit risk on trade receivables as at the year-end based on the carrying value in the statement of financial position is given below.

As at 31 March	Notes	2026 Rs.	2025 Rs.
Trade Receivables	15	272,889,547	416,436,669
Less: Impairment of Trade Receivables	15	(17,905,015)	(32,613,147)
		254,984,532	383,823,522
Other Receivables From Related Parties	15.4	607,972,043	182,312,878
Other Financial Assets - Loans Granted to Related Parties	13.2	556,135,277	661,178,326
Cash and Cash Equivalents	16	559,185,684	578,049,117

The creditworthiness of each customer is evaluated prior to sanctioning credit facilities. Appropriate procedure for follow-up and recovery are in place to monitor credit risk. Refer Note 15.1 for age analysis of Trade Receivables.

28 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTD.)

Management of credit risk

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers various statistics and characteristics of the customer base, including the default risk, business relationships with due attention given to past performances, stability in the industry and creditworthiness, as these factors may have an influence on credit risk.

Customer credit risk is managed by each company subject to the Serendib Group's established policy, procedures and control relating to customer credit risk management. Credit quality of the customer is assessed based on the credit risk evaluation model and individual credit limits are defined in accordance with this assessment. In monitoring customer credit risk, customers are grouped according to their business volumes and consider separately for granting credit limits. Based on the volume of the transaction and based on the relationship, the customers are ranked. For the customers who identified as High Risks Customers, sales are made once they made an advance or full payment. Outstanding customer receivables are regularly monitored and contracts are signed and agreed with all credit customers. Additionally, a large number of minor receivables are grouped into homogeneous groups and assessed for Impairment collectively. The calculation is based on historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets. The Company does not hold collateral as security.

The Company has established a credit policy under which each new customer is analysed individually for creditworthiness. Credit limits are established for each customer and these limits are reviewed frequently.

Impairment

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade receivables. The main component of this allowance is a specific loss component that relates to individually significant exposures based on aging of the outstanding.

The Company limits its exposure to credit risk on bank balances by maintaining balances with reputable and credit worthy banks having high credit ratings.

Bank of Ceylon	AA- (lka)
Commercial Bank of Ceylon PLC	AA- (lka)
Nations Trust Bank PLC	A (lka)
Sampath Bank PLC	AA- (lka)
Hatton National Bank PLC	AA- (lka)

Financial Instruments and Cash Deposits

Credit risk from balances with banks is managed by the Managing Agent's treasury department in accordance with the Serendib Group's policy. Investments of surplus funds are made only with approved counterparties as per the Treasury Policy and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the Serendib Group's Board of Directors on an annual basis, and may be updated throughout the year subject to approval of the Board. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through potential counterparty's failure. The Company's maximum exposure to credit risk for the components of the statement of financial position is the carrying amounts as illustrated in Note 13, 15 and 16 except for financial guarantees and derivative financial instruments.

Liquidity Risk

The Company monitors its risk to a shortage of funds by setting up a minimum liquidity level. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans and intercompany borrowings. The Company assessed the concentration of risk with respect to refinancing its debt and concluded it to below. Access to sources of funding is sufficiently available and debt maturing within 12 months can be rolled over with existing lenders.

28 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTD.)

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted cashflows.

As at 31 March 2026	On Demand Rs.	Less than 3 Months Rs	3 to 12 Months Rs.	1 to 5 Years Rs.	> 5 Years Rs.	Total Rs.
Trade and Other Payables (Excluding Statutory Payables and Contract Liabilities)	Nil	490,820,875	Nil	Nil	Nil	490,820,875
Bank Overdraft	29,961,244	Nil	Nil	Nil	Nil	29,961,244
	29,961,244	490,820,875	156,779,772	Nil	Nil	677,561,891

As at 31 March 2025	On Demand Rs.	Less than 3 Months Rs	3 to 12 Months Rs.	1 to 5 Years Rs.	> 5 Years Rs.	Total Rs.
Trade and Other Payables (Excluding Statutory Payables and Contract Liabilities)	Nil	371,650,336	Nil	Nil	Nil	371,650,336
Bank Overdraft	50,879,985	Nil	Nil	Nil	Nil	50,879,985
	50,879,985	371,650,336	62,523,798	Nil	Nil	485,054,119

Capital Management

Capital includes ordinary shares. The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes managing capital during the years ended 31 March 2026 and 31 March 2025. The Company monitors capital using a gearing ratio, which is debt divided by total equity plus debt. The Company's policy is to keep the gearing ratio below 20%.

As at 31 March	2026 Rs.	2025 Rs.
Total debt	29,961,244	50,879,985
Total equity	4,660,366,898	4,433,830,596
Gearing Ratio	1%	1%

SUPPLEMENTARY INFORMATION

Ten Year Financial Review

(Figures in Rs.'000 unless otherwise stated)

Year ended 31 March	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Trading Results										
Revenue	1,699,367	1,446,897	1,311,439	575,897	282,960	349,729	728,502	952,910	877,784	878,311
Profit / (Loss) Before Tax	201,603	230,159	388,370	18,389	(35,507)	(36,082)	62,517	176,816	189,681	129,566
Profit / (Loss) for the year	221,118	167,434	320,017	(103,009)	(24,846)	(33,225)	44,485	147,178	148,976	100,337
Hotel Operations										
Annual sales growth (%)	17.45	10.33	127.72	103.53	(19.09)	(51.99)	(23.55)	8.56	(0.06)	(0.25)
Room occupancy (%)	75	73	59	30	35.00	48.15	65.66	81.88	78.00	79.00
Current ratio (Times)	3.55	3.76	3.01	3.42	2.95	1.35	1.37	3.41	1.23	0.89
Interest cover (Times)	4.32	25.36	6.71	(1.09)	(0.32)	(1.13)	3.45	11.82	33.09	16.96
Debt equity ratio (%)	1	1	17.35	29.97	36.89	34.80	30.77	30.42	7.35	10.60
Market/ Shareholder Information										
Return on equity(%)	5	4	11	(3.33)	(0.88)	(1.58)	2.13	7.17	7.81	5.36
Net assets per share (Rs.)	73.69	70.11	53.83	48.84	88.96	66.54	66.19	64.94	60.31	59.17
Earnings / (loss) per share (Rs.)	3.50	2.65	5.06	(1.63)	(0.79)	(1.05)	1.41	4.65	4.71	3.17
Market price per share (Rs.)	39.9	45.70	35.10	32.00	30.10	24.50	18.30	26.50	26.00	31.50
Price earning ratio (Times)	11.40	17.26	6.94	(15.84)	(38.31)	(23.32)	13.01	5.69	5.52	9.93
Dividend per share (Rs.)	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	1.00	1.00

Investor Information

SHAREHOLDER INFORMATION

Number of shares	2026			2025		
	No. of Shareholders	Total Holding	%	No. of Shareholders	Total Holding	%
1 - 1000	2,032	571,216	0.90	1,515	396,023	0.62
1,001 - 10,000	900	3,395,381	5.37	602	2,439,543	3.85
10,001 - 100,000	279	7,950,852	12.57	221	6,802,593	10.76
100,001 - 1,000,000	27	5,784,441	9.15	34	8,063,731	12.76
Over 1,000,000	2	45,541,064	72.01	2	45,541,064	72.01
	3,240	63,242,954	100.00	2,374	63,242,954	100.00

Number of shares	Resident			Non-Resident		
	No. of Shareholders	Total Holding	%	No. of Shareholders	Total Holding	%
1 - 1000	2,024	568,792	0.90	8	2,424	0.00
1,001 - 10,000	896	3,386,956	5.36	4	8,425	0.01
10,001 - 100,000	278	7,930,852	12.54	1	20,000	0.03
100,001 - 1,000,000	27	5,784,441	9.15	0	0	0.00
Over 1,000,000	2	45,541,064	72.01	0	0	0.00
	3,227	63,212,105	99.96	13	30,849	0.04

Number of shares	2026			2025		
	No. of Shareholders	Total Holding	%	No. of Shareholders	Total Holding	%
Categories of Shareholders						
Institutions	194	50,216,533	79.40	183	52,883,381	83.62
Individuals	3,046	13,026,421	20.60	2,191	10,359,573	16.38
	3,240	63,242,954	100.00	2,374	63,242,954	100.00

PUBLIC HOLDING

	2026	2025
Public holding as a percentage of the Issued share capital	30.67%	30.67%
Number of shareholders representing the public holding	3,239	2,373

SHARE TRADING

	2026	2025
Highest Market Price (Rs.)	71.50(04/09/2025)	59.90(03/01/2025)
Lowest Market Price (Rs.)	39.00(31/03/2026)	30.00(10/09/2024)
Last Traded Price (Rs.)	39.90(31/03/2026)	45.70(28/03/2025)
No. of Shares Traded	3,932,340	6,938,619
No. of Trades	4065	4069
Turnover (Rs.)	201,148,411	375,147,099

TWENTY MAJOR SHAREHOLDERS

	2026		2025	
	No of Shares	%	No of Shares	%
SERENDIB HOTELS PLC	43,849,317	69.33	43,849,317	69.33
HEMTOURS (PRIVATE) LIMITED	1,691,747	2.67	1,691,747	2.67
MR. G.B.D. THILAKARATNE	891,566	1.41	-	-
HATTON NATIONAL BANK PLC/WETHTHINGE JINADASA	472,018	0.75	-	-
MR. D.R. PONNAMPERUMA	400,000	0.63	-	-
HEMAS HOLDINGS PLC	376,808	0.60	376,808	0.60
MR. D.S.J.V. COSTA	362,455	0.57	-	-
MR. B.U.M.DE.S. JAYASINGHE	245,110	0.39	-	-
SENKADAGALA FINANCE PLC/M.M.FUAD	221,585	0.35	218,867	0.35
MERCHANT BANK OF SRI LANKA & FINANCE PLC/ R.M.N.C. BANDRA	215,771	0.34	-	-
MR. K.K.D. SENANAYAKE	192,286	0.30	192,286	0.30
MRS. D.R. COSTA	182,530	0.29	-	-
MR. A SITHAMPALAM	180,288	0.29	-	-
HATTON NATIONAL BANK PLC/YAUWANAGUHAN WIGNESWARAN	177,500	0.28	-	-
MR. P.R. HETTIWATTA	164,411	0.26	-	-
HATTON NATIONAL BANK PLC/ANUJA CHAMILA JAYASINGHE	144,868	0.23	-	-
MR. G. DANGAMPOLA	140,000	0.22	-	-
MISS. O.U.K. JAYASUNDARA	134,888	0.21	-	-
CTT LINK (PVT) LTD	133,000	0.21	-	-
PEOPLE'S LEASING & FINANCE PLC/DR.H.S.D.SOYSA & MRS.G.SOYSA	126,490	0.20		
Total held by the above shareholders	50,302,638	79.53	46,329,025	73.25
Shares held by the balance shareholders	12,940,316	20.47	16,913,929	26.75
Total Issued capital	63,242,954	100.00	63,242,954	100.00

The Public Shareholding as at 31st March 2026 was 30.67% of the issued ordinary shares held by 3,239 shareholders.

As at 31st March 2026 the Float adjusted Market Capitalisation was Rs. 773,924,898.00

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT THE 45TH ANNUAL GENERAL MEETING of the Company will be held on, **Wednesday, 23rd September 2026** at **11.30 a.m.** as an on-line audio-visual meeting with arrangements for the on-line meeting platform centered at the LOLC Board Room, 100/1, Sri Jayawardenapura Mawatha, Rajagiriya, for the following purposes:

1) To receive the Report of the Directors and Statement of Accounts for the year ended 31 March, 2026 with the Report of the Auditors thereon.

2) To re-elect as a Director Mr. W D K Jayawardena who retires by rotation in terms of Article 90 of the Articles of Association of the Company

3) To re-elect as an Independent Director Mr. S Furkhan who retires by rotation in terms of Article 90 of the Articles of Association of the Company

4) *To re-elect as an Independent Director Dr. J M Swaminathan who retires in terms of Section 210 of the Companies Act No. 7 of 2007 and re-appointed as an Independent Director in terms of Rule No. 9.8.3 (ix) of the Listing Rules (Refer Note 3 a)

5) *To re-elect as an Independent Director Mr T Dharmarajah who retires in terms of Section 210 of the Companies Act No. 7 of 2007 and re-appointed as an Independent Director in terms of Rule No. 9.8.3 (ix) of the Listing Rules (Refer Note 3b)

6) To re-appoint as Auditors M/s Deloitte Partners Chartered Accountants for the ensuing year at a remuneration to be agreed by the Directors.

7) To approve in terms of the Companies Act No. 26 of 1951 (Donations), the making of donations by the Directors as determined by them for the current financial year and until the next Annual General Meeting of the Company.

By order of the Board
DOLPHIN HOTELS PLC

LOLC CORPORATE SERVICES (PVT) LTD
Secretaries

24 August 2026

NOTE:

1) A member entitled to attend and vote at the Meeting is entitled to appoint a Proxy to attend and vote instead of him/her. A Proxy need not be a shareholder of the Company.

2) The completed Form of Proxy should be received by the Company at its Secretaries' office No. 100/1, Sri Jayawardenapura Mawatha, Rajagiriya not later than forty eight (48) hours before the start of the meeting.

3) A Form of Proxy accompanies this Notice.

   *Special Notice was received by the Company from a shareholder of the Company giving Notice of intention to move the following Resolution at the above Annual General Meeting :

   a) "Resolved that Dr. J M Swaminathan who reached the age of 70 years in 2011, be and is hereby re-elected as an Independent Director of the Company and it is further specifically declared that the age limit of 70 years referred to in Section 210 of the Companies Act No. 7 of 2007 shall not apply to the said Director, Dr. J M Swaminathan."

   b) *Special Notice has been received from a shareholder of the Company giving Notice of intention to move the following Resolution at the above Annual General Meeting : "Resolved that Mr. T Dharmarajah who reached the age of 70 years in 2026, be and is hereby re-elected as an Independent Director of the Company and it is further specifically declared that the age limit of 70 years referred to in Section 210 of the Companies Act No. 7 of 2007 shall not apply to the said Director, Mr. T Dharmarajah."

IMPORTANT NOTICE:

This year the Annual Report and Financial Statements of the Company are available on the:

1) Corporate Website: https://www.brownshotels.com/investor-relations/

2) The Colombo Stock Exchange: https://www.cse.lk/pages/company-profile/company-profile.component.html?symbol=STAF.N0000

3) Members may also access the Annual Report and Financial Statements on their electronic devices by scanning the following QR code:

For clarifications on how to download and/or access the Annual Report and Financial Statements, please contact Secretaries on +94 11 7248554 during normal office hours (8.30 a.m. to 5.00 p.m.) or email corporateservises@lolc.com.

In the event the Company is required to take any further action in relation to the Meeting, in the best interest of the Meeting attendees; and/ or any communications, guidelines, directives or orders issued by the Government of Sri Lanka, Notice of such action shall be given by way of an announcement to the Colombo Stock Exchange and publication on the Company website - https://www.brownshotels.com/investor-relations/

Notes

Notes

Form of Proxy

I/We ....

of ....

being a member/members of the above named Company hereby appoint ....

of whom failing

W. D. K. Jayawardena	of Colombo or failing him
D. S. K. Amarasekera	of Colombo or failing him
Dr. J. M. Swaminathan	of Colombo or failing him
S Furkhan	of Colombo or failing him
R L E C Wijeratne	of Colombo or failing him
T Dharmarajah	of Colombo

as my/our* Proxy to represent me/us* at the Forty-fifth (45th) Annual General Meeting of the Company to be held as an on- line meeting on **Wednesday, 23rd September 2026** at **11.30 a.m**. and at any adjournment thereof and at every poll which may be taken in consequence thereof.

THE PREFERENCES IN THE FOLLOWING TABLE TO BE MARKED BY ORDINARY (VOTING) SHAREHOLDER/S ONLY.

I/We* the undersigned, ordinary (voting) shareholder(s) of the Company hereby authorise my/our* Proxy to vote for me/ us* and on my/our* behalf in accordance with the preferences indicated below (please mark your preference with an 'X'):

		For	Against
ORDINARY BUSINESS			
1.	To re-elect as a Director Mr. W. D. K. Jayawardena who retires by rotation in terms of Article 90 of the Articles of Association of the Company		
2.	To re-elect as an Independent Director Mr. S Furkhan who retires by rotation in terms of Article 90 of the Articles of Association of the Company.		
3.	To re-elect as an Independent Director Dr. J M Swaminathan who retires in terms of Section 210 of the Companies Act No. 7 of 2007 as set out in item 4 of the Notice of Meeting and Rule No. 9.8.3 (ix) of the Listing Rules.		
4.	To re-elect as an independent director Mr. T Dharmarajah who retires in terms of Section 210 of the Companies Act. no. 7 of 2007 as set out in item 5 of the Notice of Meeting and Rule No. 9.83 (ix) of the Listing Rules		
5.	To re-appoint as auditors M/s Deloitte Partners, Chartered Accountants for the ensuing year at a remuneration to be agreed by the Directors		
6.	To authorise the Board of Directors to determine donations.		

dated this .... day of .... , 2026.

....
Signature of Shareholder

*please strike off inappropriate word

please refer overleaf for instructions

Form of Proxy

Important: Please post or scan and email the Form of Proxy together with the following additional details as per the instructions given below.

CDS Account Number of the Shareholder (s)		
Shareholder's contact number/s	Land line (residence/work):	
	Mobile::	
Email address to which the on-line link should be forwarded to for the proxyholder's participation at the AGM		
Proxy holder's NIC number		

1. Please return the completed Form of Proxy after filling in legibly your full name and address, signing on the space provided and filling in the date of signature.

The completed Form of Proxy should either be:

2. Addressed to the 'Company Secretaries' and posted or hand delivered to 100/1, Sri Jayawardenapura Mawatha, Rajagiriya; or Scanned and emailed to the email address: corporateservices@lolc.com with the email subject titled "DOLPHIN AGM PROXY" not less than 48 hours before the time appointed for the holding of the Meeting.

3. If the Form of Proxy has been signed by an attorney, a copy of the Power of Attorney certified by a notary should accompany the completed Form of Proxy for registration, if such Power of Attorney has not already been registered with the company.

Registration of Shareholder Details for Online Participation

To: LOLC Corporate Services (Private) Limited
Secretaries for DOLPHIN HOTELS PLC
No: 100/1, Sri Jayawardenapura Mawatha
Rajagiriya

Details of Shareholder		
1. Full Name/s of Shareholder/s		
2. Address		
3. National Identity Card Number/ Company Registration number		
4. CDS Account number		
5. Contact number (mandatory)	Land line (residence/work):	Mobile:
6. Email address (it is mandatory for the shareholder to provide an email address in order to forward the login information for the on-line meeting link)		
In the event a Proxy Holder is appointed by the Shareholder		
7. Name of the Proxy holder		
8. Proxy holder's NIC/PP No.		
9. Proxy holder's contact No. (mandatory)	Land line (residence/work):	Mobile:
10. Proxy holder's email (it is mandatory for the proxy holder to provide an email address in order to forward the login information for the on-line meeting link)		

Important - Only registered shareholders and registered proxy holders will be permitted to log in and participate at the AGM on-line. Duly filled Form should be scanned and emailed to : corporateservices@lolc.com or Sent by facsimile to + 94 112865602 not less than 48 hours before the meeting.

I/My Proxy holder am/is willing to participate at the AGM online: Yes ☐ No ☐

Signature/s & date:	....	....	....
	Principal Shareholder	1st Joint Holder	2nd Joint Holder

Stakeholder Feedback Form

Dolphin Hotels PLC values your opinions and feedback. We invite you to share your thoughts to help us enhance our governance, operations, financial condition, and future prospects. Please take a moment to fill out this form with your comments and suggestions. Your feedback will be treated confidentially and used solely for the purpose of improving our stakeholder communication and overall performance.

Contact Information

Name : ....

Email : ....

Phone : ....

Company/Organisation : ....

WHICH STAKEHOLDER GROUP/S DO YOU BELONG TO? (You may tick more than one)

- ☐ Shareholder
- ☐ Customer
- ☐ Community
- ☐ Public Authority
- ☐ Employee
- ☐ Student
- ☐ Regulatory Body
- ☐ Journalist
- ☐ Service Provider
- ☐ Supplier
- ☐ Special Interest Group

GENERAL FEEDBACK

1. How would you rate your overall satisfaction with the Company's communication practices?

- ☐ Very Satisfied
- ☐ Satisfied
- ☐ Neutral
- ☐ Dissatisfied
- ☐ Very Dissatisfied

2. How often do you feel the Company provides timely and accurate information?

- ☐ Always
- ☐ Often
- ☐ Sometimes
- ☐ Rarely
- ☐ Never

3. How effective do you find the Company's use of its website and social media for communication?

- ☐ Very Effective
- ☐ Effective
- ☐ Neutral
- ☐ Ineffective
- ☐ Very Ineffective

SPECIFIC FEEDBACK

1. What specific aspects of the Company's communication do you find most useful?

- ☐ Financial Reports
- ☐ Annual Reports
- ☐ Press Releases
- ☐ Investor Briefings
- ☐ Social Media Updates
- ☐ Website Content
- ☐ Other (please specify): ___________________________

2. How would you rate the accessibility of the Company's spokespersons for providing information and responding to queries?

- ☐ Very Accessible
- ☐ Accessible
- ☐ Neutral
- ☐ Inaccessible
- ☐ Difficult to Access

3. How effectively does the Company address your concerns and queries?

- ☐ Very Effective
- ☐ Effective
- ☐ Neutral
- ☐ Ineffective
- ☐ Very Ineffective

Stakeholder Feedback Form

Forward-Looking Information & Major Developments

1. How useful do you find the Company's forward-looking comments and information on future prospects?

- [ ] Very Useful
- [ ] Useful
- [ ] Neutral
- [ ] Not Useful
- [ ] Not Useful at All

2. How effectively does the Company handle the communication of major corporate developments (e.g., mergers, acquisitions, new products)?

- [ ] Very Effectively
- [ ] Effectively
- [ ] Neutral
- [ ] Ineffectively
- [ ] Very Ineffectively

Crisis Communication & Confidentiality

1. How confident are you in the Company's ability to manage crisis communications?

- [ ] Very Confident
- [ ] Confident
- [ ] Neutral
- [ ] Not Confident
- [ ] Not Confident at All

2. How well does the Company maintain the confidentiality of sensitive information?

- [ ] Very Effectively
- [ ] Effectively
- [ ] Neutral
- [ ] Ineffectively
- [ ] Very Ineffectively

Additional Comments

Please provide any additional comments or suggestions you have for improving the Company's communication practices.

....

....

Submission

Please return the completed form to:

Investor Relations/ Communications

DOLPHIN HOTELS PLC, 100/1 Sri Jayawardenepura Mawatha,
Rajagiriya, Sri Lanka
Email: DulipS@lolc.com and SusaanB@lolc.com

Corporate Information

NAME OF THE COMPANY
Dolphin Hotels PLC

LEGAL FORM
A Public Quoted Company with Limited Liability, incorporated on 20th January 1981 under the Companies Ordinance (Cap 145) and re-registered under the Companies Act No. 7 of 2007

COMPANY REGISTRATION
PQ 224

BOARD OF DIRECTORS
W D K Jayawardena
Chairman

D. S. K. Amarasekera
Non-Executive Director

R.L.E.C. Wijeratne
Non-Executive Director

Dr. J M Swaminathan
Independent Director

S. Furkhan
Independent Director

T Dharmarajah
Independent Director

BANKERS
Commercial Bank of Ceylon PLC
Hatton National Bank PLC
Nations Trust Bank PLC
Sampath Bank PLC
Hongkong and Shanghai Banking Corporation Ltd.

HOTEL
Club Hotel Dolphin Waikkal
Tel : +94 (31) 4877111, +94 (31) 2277788
Fax : +94 (31) 227943

COMPANY SECRETARIES
LOLC Corporate Services (Pvt) Ltd

REGISTRARS
SSP Corporate Services (Pvt) Ltd.
Address: No. 101, Inner Flower Road, Colombo 03
Tel : +94 (11) 2573894
Fax : +94 (11) 2573609

MANAGING AGENT
Serendib Leisure Management Limited (SLML)

AUDITORS
Deloitte Partners - Chartered Accountants

REGISTERED OFFICE
Address: 100/1 Sri Jayawardenapura Mawatha, Rajagiriya.
Tel : +94 (11)7248248
Fax : +94 (11)2865606

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emagewise
Printed by Printage (Pvt) Ltd

www.brownshotels.com

DOLPHIN HOTELS PLC

(REGISTERED OFFICE)
No. 100/1, Sri Jayewardenepura Mawatha, Rajagiriya, Sri
Lanka Telephone: 011-7248248 (Gen) Fax: 011-2865606
Website: www.brownshotels.com