

Royal Palms Beach Hotels PLC

Annual Report
2024/2025

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Financial Highlights

Year ended 31st March	2025 Rs.'000	2024 Rs.'000	% Change
Results for the year			
Gross Revenue	955,845	1,092,317	(12.49)
Cost of sales	(304,474)	(324,497)	6.17
Operating Profit before Interest & Tax	35,077	136,767	(74.35)
Finance Income	13,172	38,972	(66.20)
Interest expense	(2,067)	(2,891)	28.50
Profit/(Loss) before tax	33,915	164,723	(79.41)
Income tax expense	(17,859)	4,359	(509.75)
Profit/(Loss) after tax	16,056	169,081	(90.50)
Profit/(Loss) attributable to shareholders	16,056	169,081	(90.50)
Dividend paid	-	-	-
Financial Position at the end of the year			
Shareholders' funds (Stated Capital & Reserves)	2,776,409	2,516,946	10.31
Total Assets	3,781,678	3,439,988	9.93
Number of Share in Issue (Millions)	50	50	-
Information per Ordinary share			
Earnings per share (Rs.)	0.32	3.38	(90.53)
Dividend per share (Rs.)	-	-	-
Net Asset per share (Rs.)	55.53	50.34	10.31
Ratios			
Return on shareholders' funds (%)	0.58	6.72	(91.39)
Return on total assets (%)	0.42	4.92	(91.36)
Year on year EPS Growth (%)	(90.53)	(257.94)	(64.90)
Interest cover (Times)	17.40	57.99	(69.99)
Dividend cover (Times)	-	-	-
Equity : Assets (%)	73.42	73.17	0.34
Current Ratio (Times)	5.14	4.77	7.77
Gearing Ratio (%)	2.27	2.31	1.87
Market Shareholder Information			
Market price of a share as at 31st March (Rs.)	33.00	30.00	10.00
Market Capitalisation (Rs.' 000)	1,650,000	1,500,000	10.00
Price Earnings Ratio (Times)	103.13	8.88	1,061.88

Chairperson's Review

Dear Shareholders,

It is with great pleasure that I present to you the Annual Report for the financial year ended 31st March 2025. As we reflect on the past year, it is clear that Royal Palms Beach Hotels PLC has demonstrated remarkable resilience and agility in navigating a volatile and evolving operating environment. Despite sector-wide headwinds and macroeconomic uncertainty, we closed the year on a positive note, underscoring the strength of our strategic direction and the dedication of our team.

STRONG PERFORMANCE AMIDST CHALLENGES

The year under review was marked by a mixed operating landscape. While the first half of the year saw subdued occupancy and weakened revenue due to sluggish summer demand, our performance in the winter season was a turning point. Thanks to focused marketing strategies and renewed demand in our key source markets, we were able to stage a marginal recovery.

Revenue reached Rs. 955.8 million, while disciplined cost management and operational efficiencies supported healthy margins. Our gross profit stood at Rs. 651.4 million, and although profit before tax declined to Rs. 33.9 million from the previous year, this was largely due to first-half pressures.

Our asset base grew to Rs. 3.78 billion, mainly due to the revaluation of land and buildings at year-end to comply with accounting standards. Equity rose to Rs. 2.77 billion, and net assets per share increased to Rs. 55.53, from Rs. 50.34.

SRI LANKAN ECONOMY AND TOURISM SECTOR OVERVIEW

The Sri Lankan economy made notable strides during the year,

with improving macroeconomic indicators, declining inflation, and more stable exchange rates. Government reforms supported fiscal consolidation, while foreign reserves showed steady growth. Importantly for the hospitality industry, enhanced global sentiment and improved inbound connectivity contributed to a revival in tourism.

The new government's emphasis on transparency, investor confidence, and good governance has created a more stable policy environment, while its proactive efforts to revitalise the tourism sector - streamlined visa processes, renewed global promotion campaigns, and infrastructure upgrades - have fostered optimism across the industry. These initiatives, coupled with a strong commitment to economic reform and institutional stability, have significantly improved the operating climate for hotel and travel operators as well as the broader hospitality sector.

International tourist arrivals steadily recovered throughout the year, with Sri Lanka regaining favour among travellers seeking nature, wellness, and cultural experiences. The growth was led by key markets such as India, the UK, Germany, Russia, and China. Industry-wide occupancy levels rose, particularly in the last two quarters, and average room rates continued to improve. These positive developments created a more favourable operating environment for hotels such as Royal Palms, which are well-positioned to meet the expectations of discerning travellers.

STRENGTHENING MARKET POSITION THROUGH RECOGNITION AND STRATEGY

In line with evolving guest expectations and global tourism

trends, we embarked on a brand repositioning campaign that highlighted the tranquil, nature-based appeal of our hotel. This initiative, supported by dedicated digital engagement and strategic partnerships with international tour operators, significantly enhanced our visibility and appeal. We were proud to receive several accolades during the year, including the TripAdvisor Travellers' Choice Award, Booking.com Travellers' Review Award, and the HolidayCheck Gold Award.

Our marketing strategy was recalibrated during the year to reflect the shift in guest preferences toward serene, wellness-inspired stays. Outdated beach-centric imagery was replaced with vibrant visuals showcasing our lush tropical gardens, water features, and peaceful ambiance. This rebranding, together with a strengthened social media presence across Facebook, Instagram, YouTube, TikTok, and LinkedIn, contributed to a notable improvement in our online reputation and review scores.

We also focused on developing new channel partnerships and secured high-volume group bookings from German tour operators during traditionally low-demand periods, resulting in a strong increase in European arrivals. Active participation in international travel fairs such as the World Travel Mart in London, ITB Berlin, and Arabian Travel Market further cemented our position in the global tourism space. Locally, we expanded our engagement with the MICE and wedding segments, through hospitality fairs and wedding shows.

These strategic marketing initiatives played a key role in driving the turnaround during the latter half of the year and have created a solid platform for future growth.

A CORE COMMITMENT TO SUSTAINABILITY

Sustainability remains central to our vision. This year, we deepened our efforts across environmental stewardship, community engagement, and ethical governance. Our performance was recognised through a series of prestigious awards, including the Global Sustainability Awards 2024 and the South Asian Travel Awards, where we were named Leading Eco-Friendly Hotel.

We are proud to be the first hotel in Sri Lanka to receive the Eco Label Certification under the Hotel Service category and to maintain international certifications such as ISO 14001, ISO 45001, and Travelife Gold.

Operationally, our achievements include:

- » Treating over 80 percent of solid waste on-site through a 12R framework
- » Reducing energy use per room night to just 42 kWh, far below national benchmarks
- » Sustained water conservation through rainwater harvesting, sensor taps, and guest education
- » Responsible sourcing and elimination of single-use plastics

These efforts are embedded within a strong governance framework and are driven by a passionate team trained in environmental management, disaster preparedness, and sustainability practices. Our waste-to-resource initiatives, biodiversity protection, and circular water systems continue to position Royal Palms as a pioneer in green hospitality.

People at the Heart of Our Success
Our team continues to be our greatest asset. Over the past

year, we prioritised employee engagement, capability development, and well-being. We conducted structured training programmes, from health and safety to sustainability and service excellence, ensuring that our staff are prepared to meet the evolving expectations of our guests.

A comprehensive HR strategy supported a diverse workforce of 251 employees, blending experienced professionals and promising young talent. Regular town halls, structured recognition mechanisms such as our Star Card and Employee of the Month awards, and investments in employee welfare reinforced a positive work culture.

Health camps, mentoring, outbound training, and inclusive celebrations such as Avurudu and Women's Day contributed to a cohesive and motivated team. Our zero-tolerance approach to unethical labour practices, commitment to gender diversity, and structured training gap analysis reaffirm our belief in fair, inclusive, and values-driven employment.

LOOKING AHEAD

As the global travel sector enters a new phase of growth, and with Sri Lanka's economic recovery gaining momentum, we are optimistic about the year ahead. Our strategic focus will remain on enhancing guest experiences, deepening sustainability leadership, and investing in our people and digital capabilities.

We are encouraged by Sri Lanka's reformed tourism policies, the stability of the macroeconomic environment, and greater global mobility. Royal Palms is well-positioned to benefit from these favourable tailwinds and to

capitalise on the growing demand for authentic, eco-conscious, and high-quality hospitality experiences.

APPRECIATION

In closing, I extend my heartfelt gratitude to our Board of Directors for their visionary leadership and counsel, to our employees for their unwavering dedication, and to our shareholders, guests, and partners for their continued trust and support.

We move forward with purpose, resilience, and confidence, committed to delivering long-term value and setting new benchmarks in Sri Lanka's resort hospitality sector.



A.M. Ondaatjie
Chairperson

15th August 2025

Board of Directors



Ms. A M Ondaatjie
Chairperson-Non-Executive Director

Ms. Angeline Ondaatjie was appointed to the Board on 14th August 1992 and assumed the role of Chairperson and Managing Director on 13th May 2019. She stepped down from the position of Managing Director with effect from 30th June 2022. Ms. Ondaatjie has over 30 years of experience across the tourism, financial services, and manufacturing sectors. She holds a Master's degree from the University of Texas at Austin, USA, and a Bachelor of Science degree from the Massachusetts Institute of Technology (MIT), USA. She is a former Director of the Sri Lanka Tourism Promotion Bureau and

a former Vice President of the Tourist Hotels Association. Currently, Ms. Ondaatjie serves as a Safety Advisor for Princeton in Asia, is a member of the Education Council of MIT, and is a Trustee of the Lionel Wendt Memorial Fund.

Ms. Ondaatjie currently serves on the Boards of the following companies:

	Name of the Company	Position held	Executive/Non Executive
1	Mercantile Investments and Finance PLC	Director	Executive
2	Mercantile Fortunes (Pvt) Limited	Director	Non-Executive
3	Nilaveli Beach Hotels (Pvt) Limited	Director	Non-Executive
4	Tangerine Beach Hotels PLC	Chairperson	Non-Executive
5	The Nuwara Eliya Hotels Co.PLC	Director	Non-Executive
6	Tangerine Tours (Pvt) Limited	Chairperson	Non-Executive
7	Security Ceylon (Pvt) Limited	Director	Non-Executive
8	Global Films Limited	Director	Non-Executive
9	International Fortunes (Pvt) Limited	Director	Non-Executive
10	Mercantile Orient (Pvt) Limited	Director	Non-Executive
11	Fair View Hotel (Pvt) Limited	Director	Non-Executive
12	Nilaveli Hotels (Pvt) Limited	Director	Non-Executive
13	Mercantile Fortunes Insurance Brokers (Pvt) Ltd	Director	Non-Executive
14	The Light House Hotel PLC	Director	Non-Executive
15	Phoenix Industries Limited	Director	Non-Executive
16	Brushco (Pvt) Ltd	Director	Non-Executive
17	Tangerine Vacations (Pvt) Ltd	Chairperson	Non-Executive

Board Sub-Committee Memberships	Member-	BNGC
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Mr. G G Ondaatjie
Non-Executive Director

Mr. Gerard Ondaatjie was appointed to the Board on 4th December 1993. He has over 30 years of experience in the tourism, financial services, and trading sectors. He holds a Bachelor of Science degree in Accountancy from Arizona State University, USA. He is a former Member of the Commission on the Simplification of Existing Laws and Regulations in the Interest

of the People, and a former Member of the Colombo Port City Economic Commission. He currently serves as a member of the Tourism Advisory Committee.

Mr. Ondaatjie also serves on the Boards of the following companies:

	Name of the Company	Position held	Executive/Non Executive
1	Mercantile Investments and Finance PLC	Managing Director	Executive
2	The Nuwara Eliya Hotels Company PLC	Dy.Chairman	Non-Executive
3	Tangerine Beach Hotels PLC	Director	Non-Executive
4	Nilaveli Beach Hotels (Pvt) Limited	Director	Non-Executive
5	Tangerine Tours (Pvt) Limited	Director	Non-Executive
6	Security Ceylon (Pvt) Limited	Chairman	Non-Executive
7	Mercantile Fortunes (Pvt) Limited	Chairman	Non-Executive
8	Global Films Limited	Chairman	Non-Executive
9	Mercantile Orient (Pvt) Limited	Chairman	Non-Executive
10	International Fortunes (Pvt) Limited	Chairman	Non-Executive
11	Fair View Hotel (Pvt) Limited	Chairman	Non-Executive
12	Nilaveli Hotels (Pvt) Limited	Director	Non-Executive
13	Mercantile Fortunes Insurance Brokers (Pvt) Limited	Chairman	Non-Executive
14	Tangerine Vacations (Pvt) Ltd	Director	Non-Executive



Mr. T J Ondaatjie
Non-Executive Director

Mr. Travice Ondaatjie was appointed to the Board on 20th July 1995. He has over 25 years of experience in the tourism and financial services sectors. He holds a Bachelor of Science degree from Arizona State University, USA.

Mr. Ondaatjie currently serves on the Boards of the following companies:

	Name of the Company	Position held	Executive/Non Executive
1	Mercantile Investments and Finance PLC	Director	Executive
2	Tangerine Beach Hotels PLC	Director	Non-Executive
3	The Nuwara Eliya Hotels Co PLC	Director	Non-Executive
4	Nilaveli Beach Hotels (Pvt) Limited	Chairman	Non-Executive
5	Tangerine Tours (Pvt) Limited	Director	Non-Executive
6	Security Ceylon (Pvt) Limited	Director	Non-Executive
7	Mercantile Fortunes (Pvt) Ltd	Director	Non-Executive
8	Global Films Limited	Director	Non-Executive
9	Mercantile Orient (Pvt) Limited	Director	Non-Executive
10	International Fortunes (Pvt) Limited	Director	Non-Executive
11	Fair View Hotel (Pvt) Limited	Director	Non-Executive
12	Nilaveli Hotels (Pvt) Limited	Chairman	Non-Executive
13	Mercantile Fortunes Insurance Brokers (Pvt)Ltd	Director	Non-Executive
14	Tangerine Vacations (Pvt)Ltd	Director	Non-Executive



Mr. N H V Perera
Non Executive Independent Director

Mr. Hasantha Perera was appointed to the Board on 25th November 1999. He is and has been attached to Lucian Perera Associates, a legal firm, for over a period of ten years. Mr. Perera presently serves on the Boards of the following companies.

	Name of Company	Position Held	Executive/Non Executive
1	Tangerine Beach Hotels PLC	Director	Non-Executive
2	Yala Safari Beach Hotels Limited	Director	Non-Executive
3	Blue Oceanic Beach Hotel Limited	Director	Non-Executive
4	Yala Properties (Pvt) Limited	Director	Non-Executive
5	South Asia Economic and Trading Corporation (Pvt) Limited	Director	Non-Executive
6	Ceylon Electro Mechanical Services (Pvt)Limited	Director	Non-Executive
7	Desano Investments Limited	Director	Non-Executive
8	Tisara Hotels (Pvt) Limited	Director	Non-Executive
9	Koggala Beach Resorts (Pvt) Limited	Director	Non-Executive
10	Thisara Investments (Pvt) Limited	Director	Non-Executive
11	Ranyan Industries (Pvt) Limited	Director	Non-Executive
12	Ranali Marketing (Pvt) Limited	Director	Non-Executive
13	Janath Trading & Investments (Pvt) Limited	Director	Non-Executive
14	Long Beach Resort (Pvt) Limited	Director	Non-Executive
15	N Vaithyalingam & Company Limited	Director	Non-Executive
16	Sugar and Spice (Pvt) Limited	Director	Executive
17	The Coastal Village (Pvt) Limited	Director	Non-Executive
18	Barron House (Pvt) Limited	Director	Non-Executive

Board Sub-Committee Memberships	Member – BAC ,BRPTR
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Mr. A de Zoysa
Non Executive Independent Director

Mr. Ajita de Zoysa was appointed to the Board in 1999. He is the Chairman of Associated Electrical Corporation Ltd and has held a number of leadership positions across the manufacturing, trading, and financial services sectors. He previously served as Chairman of the AMW Group of Companies, Sathosa Motors PLC, and Union Bank of Colombo PLC.

Mr. de Zoysa currently serves on the Boards of the following companies:

	Name of Company	Position Held	Executive/Non Executive
1	Associated Electrical Corporation Ltd	Chairman	Executive
2	A E C Properties (pvt) Ltd	Chairman	Executive
3	ADZ Insurance Brokers (Pvt) Ltd	Chairman	Executive
4	Ajith de Zoysa & Co.(Pvt) Ltd	President	Executive
5	Commercial Agencies (Ceylon) (Pvt)Ltd	President	Executive
6	YMBA	Chairman Board of Governors	Non-Executive
7	Kalutara Bodhi Trust	Chairman Board of Trustees	Executive
8	Yokohama TWS Lanka (Private) Limited	Director	Non-Executive
9	Yokohama TWS Tyres Lanka (Private) Limited	Director	Non-Executive



Mr. J D Vaz
Non -Executive Director

Mr. J. D. Vaz was appointed to the Board on 20th December 2007. He has over 45 years of experience in finance and administration within the tourism sector. He previously served as the Finance & Administration Manager at both Tangerine Beach Hotel and Royal Palms Beach Hotel.

Mr. Vaz currently serves on the Boards of the following companies

	Name of Company	Position held	Executive/Non Executive
1	Nilaveli Beach Hotels (Pvt) Limited	Director	Executive



Mr. P S R Casie Chitty
Non Executive Independent Director

Mr. Rajiv Casie Chitty was appointed to the Board of Tangerine Beach Hotels PLC on 5th February 2013. He has over 33 years of experience in the private sector, including more than 18 years at senior management level. He currently serves as the Chief Operating Officer of Commercial Credit and Finance PLC.

Mr. Casie Chitty holds a Master's degree in Economics from the University of Colombo and a Master's degree in Computer Science from the University of Staffordshire, UK. He is a Fellow of the Association of Chartered Certified Accountants (ACCA), UK, an Associate Member of the Chartered Institute of Management Accountants (CIMA), UK, and a Chartered Financial Analyst (CFA), USA. He is also a Past President of the ACCA Sri Lanka Branch.

Mr. Casie Chitty currently serves on the Boards of the following companies:

	Name of Company	Position held	Executive/Non Executive
1	Commercial Credit & Finance PLC	Director/COO	Executive
2	Tangerine Beach Hotels PLC	Director	Non-Executive
3	ACL Cables PLC	Director	Non-Executive
4	BG Marine Investment Pvt Ltd	Director	Non-Executive
5	Merc Marine Management (Pvt) Ltd	Director	Non-Executive
6	Ceyline Holdings (Pvt) Ltd	Director	Non-Executive
7	CMA CGMA Lanka (Pvt) Ltd	Director	Non-Executive
8	Mercantile Seaman's Training Institute (Pvt) Ltd	Director	Non-Executive
9	CINEC Campus (Pvt) Ltd	Director	Non-Executive
10	Lakdhanavi (Pvt) Ltd	Director	Non-Executive

Board Sub-Committee Memberships	Member – BRC
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Mr. G K S Kumar

Non Executive Independent Director

Mr. Sudath Kumar was appointed to the Board of Tangerine Beach Hotels PLC on 23rd December 2024. He is a Partner at Nanayakkara & Company – Chartered Accountants, with over 25 years of extensive experience in auditing, management consultancy, assurance services,

and tax consultancy, serving both small and large-scale enterprises. He also currently serves as a Consultant to Alhambra Hotels Ltd.

Mr. Kumar holds a Master of Business Administration (MBA) from the University of Colombo and a Bachelor's Degree in Human Resource Management (Special) from the University of Kelaniya. He is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka (FCA). He serves on the Boards of several other companies, contributing his expertise in finance, governance, and strategic leadership at the highest level.

Mr. Kumar currently serves on the Boards of the following companies:

	Name of Company	Position held	Executive/Non-Executive
1	Harischandra Mills PLC	Director	Non-Executive
2	Aims Secretarial Services (Pvt) Ltd	Director	Executive
3	Lenard Refrigeration Services (Pvt)Ltd	Director	Executive
4	House of Sports (Pvt)Ltd	Director	Executive
5	Tangerine Beach Hotels PLC	Director	Non-Executive

Board Sub-Committee Memberships	Chairman – BAC, BRPTR	Member –BRC ,BNGC
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Ms. P T K Navaratne

Non Executive Independent Director

Ms. Punyakanthi Navaratne was appointed to the Board of Tangerine Beach Hotels PLC on 23rd December 2024. She currently serves as the Vice President of Legal Affairs at WSO2 Lanka (Pvt) Ltd, where she oversees legal affairs across twelve international entities. With extensive experience in the

computer software industry, she is highly skilled in Corporate Law, Open Source Software Licensing, Legal Compliance, Data Protection, Business Analysis, and Contract Negotiations.

Her legal career spans several decades, including her tenure as a Partner at Paul Ratnayake Associates from June 1995 to December 2008. She also served as a Director at PR Secretarial Services (Pvt) Ltd from 1996 to 2010. Additionally, she held the role of Independent Non-Executive Director at Mercantile Investments and Finance PLC from January 2012 to January 2021. Ms. Navaratne holds a Bachelor of Laws (LLB) degree from the University of Colombo and is an Attorney-at-Law.

Ms. Navaratne currently serves on the Boards of following companies.

	Name of Company	Position held	Executive/Non-Executive
1	Tangerine Beach Hotels PLC	Director	Non-Executive

Board Sub-Committee Memberships	Chairperson- BRC ,BNGC	Member - BAC, BRPTR
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Ms. Aroshi Nanayakkara
Non Executive Independent Director

Ms. Aroshi Nanayakkara is the Chief Executive Officer of the Global Consulting Company and a dynamic leader with extensive expertise in Strategic Planning, Human Resources, and Risk Management. She brings a wealth of experience gained from working with leading multinationals and some of Sri Lanka's most prominent blue-chip companies.

Prior to her current role, Ms. Nanayakkara held key positions

at renowned institutions including ABN AMRO Bank NV, Deutsche Bank, Eagle Insurance, the Delmege Group, and the Brandix Group of Companies. At Brandix, she served as the Chief Risk Officer and subsequently as Chief Executive Officer of Brandix Hangers (Pvt) Ltd. She is also the former Vice President of the Lanka India Business Association and immediate past Chairperson of Sri Lanka Institute of Directors.

Ms. Nanayakkara holds a Bachelor of Science (BSc) in Management from the Massachusetts Institute of Technology (MIT), USA, and a Master of Science (MSc) in Management from the London School of Economics (LSE), UK. She is also an Associate Chartered Management Accountant (ACMA) and a Chartered Global Management Accountant (CGMA), accredited by the Chartered Institute of Management Accountants (CIMA), UK.

She serves on the Boards of several esteemed companies, contributing her strategic insight and leadership expertise.

Ms. Nanayakkara currently serves on the Boards of the following companies

	Name of Company	Position held	Executive/Non-Executive
1	Sampath Bank PLC	Director	Non-Executive
2	Asian Hotels & Properties PLC	Director	Non-Executive
3	Sri Lanka Institute of Directors	Board Member	-
4	Women Corporate Directors (WCD), Sri Lanka Chapter	Chairperson	-
5	Keels Food Products PLC	Director	Non-Executive
6	Tangerine Beach Hotels PLC	Director	Non-Executive

Management Discussion & Analysis

PERFORMANCE OVERVIEW

Royal Palms Beach Hotels PLC delivered a resilient performance for the financial year ended 31st March 2025, navigating a challenging operating environment marked by sector-wide headwinds and macroeconomic uncertainty. The first half of the year saw subdued occupancy levels and muted revenue, largely due to sluggish summer demand. However, the Company staged a strong recovery during the winter season, supported by targeted marketing efforts and renewed demand in key source markets, ultimately closing the year on a positive note.

Total revenue for the year stood at Rs. 955.8 million, down from Rs. 1.09 billion in the previous year, reflecting the impact of a weaker first half. Despite this decline, disciplined cost management and improvements in operational efficiency enabled the Company to maintain healthy margins. The cost of sales was contained at Rs. 304.5 million, resulting in a gross profit of Rs. 651.4 million. Profit before tax was Rs. 33.9 million, compared to Rs. 164.7 million in the prior year, while net profit after tax stood at Rs. 16.05 million (FY 2023/24: Rs. 169.1 million). Earnings per share (EPS) declined to Rs. 0.32, from Rs. 3.38 in the preceding year.

Our asset base grew to Rs. 3.78 billion, mainly due to the revaluation of land and buildings at year-end to comply with accounting standards. Total equity increased to Rs. 2.77 billion (FY 2023/24: Rs. 2.52 billion), supported by retained earnings and fair value gains, with net assets per share rising to Rs. 55.52 from Rs. 50.34.

Cash flow performance was particularly encouraging, with the Company generating Rs. 189 million in net cash during

the year under review, primarily driven by collections from year-end receivables of the previous financial year, marking a significant improvement over the Rs. 25.6 million recorded in the prior year. After accounting for capital expenditure and financing activities, cash and cash equivalents grew by Rs. 128.1 million, resulting in a closing balance of Rs. 298.9 million.

Strategic marketing initiatives also played a key role in supporting the winter season recovery. A brand repositioning campaign was launched to highlight the hotel's lush gardens and tranquil environment, replacing beach-centric visuals across digital platforms. This refresh helped attract a broader audience seeking nature-oriented experiences, and significantly improved the hotel's online ratings across platforms such as TripAdvisor, Agoda, Booking.com, and HolidayCheck.

The Company also secured group bookings through key partnerships with German tour operators, bolstering off-peak occupancy. Meanwhile, digital engagement continued to grow, driven by consistent content creation and platform management by a dedicated social media team. Royal Palms' enhanced visibility translated into several accolades during the year, including the TripAdvisor Travellers' Choice Award, HolidayCheck Gold Award, and the Booking.com Travellers' Review Award.

Further brand promotion was achieved through active participation in global trade fairs, including the World Travel Mart in London, ITB Berlin, and the Arabian Travel Market, and local MICE and wedding exhibitions. These initiatives significantly expanded the hotel's market reach and laid a strong

foundation for continued growth.

OPERATING ENVIRONMENT

Global Economic Overview

The global economy recorded modest growth in 2024, expanding at a rate of 3.2% according to the International Monetary Fund (IMF). This performance, though subdued, reflected resilience amid a backdrop of geopolitical tensions, supply chain adjustments, and broad-based monetary policy tightening. Consumer spending in advanced economies, particularly the United States, played a pivotal role in sustaining global demand. However, rising trade protectionism, most notably through broad-based tariffs imposed by the U.S. administration, dampened trade flows and impacted business sentiment across Asia and the Middle East, key source regions for international travel.

Despite these challenges, global headline inflation declined from 6.8% in 2023 to 5.9% in 2024, with advanced economies seeing more pronounced disinflation. Easing inflationary pressures contributed to more stable input costs across global tourism and hospitality value chains, including energy, logistics, and imported goods. These trends offered a measure of relief for operators, while also encouraging greater international mobility as consumer purchasing power gradually recovered.

Against this global backdrop, the tourism sector demonstrated cautious optimism. Traveller appetite for leisure experiences remained strong, particularly in culturally rich and environmentally diverse destinations. However, macroeconomic uncertainty and increased operational costs continued to influence destination choice, spending patterns, and booking behaviours.

Sri Lankan Economic Performance

Sri Lanka achieved a noteworthy economic turnaround in 2024, recording real GDP growth of 5.0%, a sharp reversal from the 2.3% contraction in the previous year. Growth was broad-based, with robust contributions from agriculture, industry, and services. This rebound was supported by policy reforms under the IMF-Extended Fund Facility (EFF) programme, the near-completion of external debt restructuring, and a stabilisation of the Sri Lankan Rupee, which remained largely stable in the second half of the year.

The IMF's approval of the third review of the EFF in November 2024, releasing an additional USD 333 million, further reinforced macroeconomic confidence. Key fiscal reforms, ranging from VAT restructuring to public sector reform, also helped restore investor sentiment and improve Sri Lanka's country profile among tour operators, airlines, and development agencies. Of particular relevance to the hospitality sector was the marked decline in inflation during the latter part of the year, with the country entering a deflationary phase in September 2024. Reduced electricity tariffs and falling food prices lowered operating expenses for hotels and improved affordability for domestic travellers.

Sri Lanka's progress in restructuring USD 22.5 billion in external debt (including bilateral creditors and bondholders) also had indirect positive spillovers for the tourism sector by improving fiscal space for infrastructure development, public services, and destination marketing.

Implications for the Hospitality Sector

For Royal Palms Beach Hotels PLC, this macroeconomic turnaround

provided a firmer operating foundation. A stable currency, easing inflation, and stronger demand in high season helped offset a sluggish start to the year. Visitor sentiment improved in tandem with the country's creditworthiness and reputation for economic recovery.

The stabilisation of utility costs, particularly energy tariffs, supported margin preservation, while recovering consumer confidence in Sri Lanka's key source markets helped boost occupancy during the winter season. Additionally, policy clarity under the new Sri Lanka Tourism Act is expected to support better coordination in destination management, regulation, and promotional activity going forward.

However, headwinds remain. High airfares, shifting global traveller preferences, and regional competition continue to pressure pricing and require agile marketing, cost control, and product differentiation strategies. In this context, Royal Palms' strong brand positioning, sustainability credentials, and operational discipline remain core strengths as the Group navigates the evolving external environment.

Global Tourism Landscape: Positive Momentum for Resort Growth

The global tourism industry rebounded strongly in 2024, ushering in what has come to be known as the "Year of Optimism." As reported by UN Tourism, approximately 1.4 billion international travellers took to the skies last year, representing 99% of pre-pandemic levels and marking a robust 11% increase over 2023. This momentum has carried through to 2025, with initial forecasts projecting further growth of 3% to 5% in international tourist arrivals. The

sustained recovery across all regions, particularly in Asia and the Pacific, has helped restore confidence in the travel industry, benefiting leading resort destinations like Royal Palms.

Asia and the Pacific, despite being the last region to fully reopen, recorded a 33% year-on-year increase in arrivals. Europe surpassed its 2019 figures, while Africa, the Middle East, and the Americas continued on strong recovery trajectories. Alongside the return of volume, tourism receipts also rose significantly, suggesting not only more travellers, but also higher per capita spending, especially in the premium and lifestyle segments.

Importantly, traveller preferences are evolving in meaningful ways. There is a growing appetite for immersive, culturally enriched experiences that go beyond traditional sightseeing. Guests are increasingly drawn to properties that offer a combination of authentic hospitality, wellness-oriented services, and environmental responsibility. At the same time, digital transformation is reshaping the way people plan, book, and experience their travels. Contactless services, smart technologies, and personalised digital engagement are becoming key differentiators across the hospitality sector.

Royal Palms is well positioned to respond to these trends. Informed by changing guest expectations, the hotel continues to refine its offering through curated experiences, elevated sustainability practices, and enhanced service delivery. The global recovery has brought not only renewed bookings but also opportunities to connect with a more mindful and discerning traveller. With 2025 poised for continued growth in international

Management Discussion & Analysis

travel, Royal Palms is focused on capturing this momentum through innovation, operational agility, and unwavering commitment to guest satisfaction.

Looking ahead to 2025, international arrivals are projected to grow by a further 3% to 5%, supported by favourable macroeconomic conditions and improved travel connectivity. For hospitality operators such as Royal Palms, this backdrop presents timely opportunities to elevate guest offerings and respond to evolving global expectations.

Sri Lanka's Hospitality Sector: A Year of Revival and Repositioning

Locally, the tourism and hospitality sector delivered its strongest performance since 2019. Sri Lanka welcomed over 2 million tourists in 2024, a 22% year-on-year increase. Total tourism earnings reached USD 3.2 billion, with an average receipt of USD 181.15 per day and an average stay of 8.42 days. The hospitality sector itself was valued at USD 4.2 billion in 2024, with forecasts indicating growth to USD 7.8 billion by 2032. Industry trends pointed to increased preference for cultural immersion, wellness, and boutique luxury experiences - all areas where Royal Palms is well-positioned to lead.

Performance indicators also revealed strong regional demand, particularly from India, Russia, the United Kingdom, and Germany. High-occupancy destinations like Colombo, Galle, and the Southern coastal belt continued to attract leisure travellers, while emerging areas like the East Coast gained momentum. Despite challenges in cost structures and profitability, the hospitality sector remained a

core contributor to national GDP, employment, and foreign exchange earnings.

A Supportive Policy Shift for Hospitality Operators

A key structural development in 2024 was the introduction of Sri Lanka's revised Tourism Act. The new policy framework aims to simplify regulation, upgrade service standards, and provide targeted funding for tourism marketing, infrastructure development, and workforce capacity-building. For Royal Palms, this translates into improved opportunities for market positioning, product innovation, and long-term competitiveness in a more supportive business environment.

SUSTAINABILITY AT THE HEART OF HOSPITALITY

Building a Greener Future at Royal Palms

At Royal Palms Beach Hotel, we view sustainability as an ongoing journey rather than a destination. Guided by this philosophy, we are dedicated to advancing environmental stewardship, social responsibility, and economic resilience throughout our operations. The 2024/25 financial year has seen continued progress in embedding sustainable practices that create lasting value for our guests, employees, communities, and stakeholders.

Governance and Policy Framework

Our sustainability agenda is underpinned by a robust set of policies that integrate responsible practices across all facets of the hotel's operations. These include:

- » Environment and Energy Policies guiding resource conservation and greenhouse gas reduction.

- » Environmentally Sensitive Purchasing Policy promoting eco-conscious procurement.
- » Corporate Social Responsibility (CSR) Policy fostering community engagement and ethical conduct.
- » Food Safety, Health & Safety policies ensuring the wellbeing of guests and staff.
- » Quality Management Policy, maintaining service excellence.
- » Child Protection Policy safeguarding the vulnerable.

This comprehensive governance framework ensures accountability and continuous improvement in line with both national regulations and international best practices.

Certifications and Industry Recognition

Royal Palms Beach Hotel maintains globally recognised certifications that reflect our commitment to quality, safety, and sustainability, including:

- » ISO 14001:2015 (Environmental Management)
- » ISO 45001:2018 (Occupational Health and Safety)
- » ISO 22000:2018 and HACCP (Food Safety)
- » Travelife Gold Certification, recognising leadership in sustainable tourism practices.
- » Eco Label Sri Lanka, awarded as the first hotel in Sri Lanka to achieve this prestigious certification (EL-HS-1-2025) under the Hotel Service category.

These certifications affirm our adherence to rigorous standards and continuous progress in our sustainability journey..

Sustainability Highlights 2024/25

Our commitment to sustainability has been recognised through

multiple prestigious awards, which underscore our role as a sustainability leader within the hospitality sector.

- » Joint Winner, Best Sustainability Practices in Hotels – Sri Lanka Tourism Awards 2024
- » Winner, National Business Excellence Awards 2024
- » Winner, Leading Eco-Friendly Hotel – South Asian Travel Awards 2024
- » Winner, Medium and Large Enterprises – LOWA Sustainability Awards 2024
- » Platinum Level, Waste Minimization & Resource Savings – PROMISE Project 2020-2024
- » Gold Winner, Global Sustainability Awards 2024 – Hotel Sector
- » Valid Travelife Gold Certification through 2026

Environmental Stewardship

Waste Management

We implement the internationally recognised 12R waste management framework to systematically reduce, segregate, and responsibly manage waste. Over 80% of solid waste is treated onsite using Sri Lanka's national colour-coded segregation system. Our "Green Bank" secondary collection centre further sorts waste into 20+ categories, maximising recycling and reuse. Revenue from recyclable materials, including e-waste, averages Rs. 150,000 monthly. Wet waste supports a local piggery, and garden waste is composted for organic cultivation. Marine debris is collected through dedicated coastal programmes.

Energy Management

Our energy initiatives focus on minimising consumption and carbon emissions. The hotel maintains an average energy use of 42 kWh per room night, significantly outperforming the national benchmark of 137.4 kWh.

Key measures include extensive LED lighting, solar-powered systems, efficient HVAC technologies, passive building design, and real-time monitoring. These efforts reduced our carbon footprint from 2,419 tCO₂e in 2015 to 1,977 tCO₂e in 2018, with ongoing plans toward carbon neutrality.

Water Conservation

Water efficiency is integral to our operations. Guest facilities adhere to international standards limiting flow rates and cistern volumes. Additional water-saving technologies include sensor taps, dual-flush toilets, and rainwater harvesting. We promote guest participation in linen and towel reuse programmes and continuously monitor consumption to optimise usage.

Wastewater Treatment

Wastewater undergoes comprehensive treatment at a nearby sister hotel's Sewage Treatment Plant, meeting all environmental regulations. Treated water is reused for irrigation and maintaining onsite natural water features, exemplifying our circular water management approach.

Sustainable Procurement

Our procurement policy prioritises eco-labelled, ethically sourced, and locally produced goods. We have replaced single-use plastics with sustainable alternatives such as glass water bottles, metal key cards, biodegradable containers made from sugarcane, and eco-friendly amenities. The introduction of bicycles supports low-impact transport for short distances within the property.

Biodiversity and Animal Welfare

Royal Palms Beach Hotel actively preserves natural habitats, supports native flora, and encourages wildlife conservation. Staff and guests

are engaged through various educational initiatives, tree planting, and responsible tourism practices that promote respect for biodiversity and the environment.

Community Engagement and Corporate Social Responsibility (CSR)

Our CSR initiatives focus on supporting children, local communities, and the environment. Key programmes include:

- » Long-term support for The Learning Tree Preschool through provision of educational materials and event assistance.
- » Contributions to the Sukitha Children's Orphanage facilitated by guest donations.
- » Partnerships with local schools, hotel training institutes, and research bodies to enhance education and skills development.
- » Promotion of Kalutara city tours through local tuk-tuk drivers, enhancing cultural tourism and economic opportunities for small entrepreneurs.
- » Ongoing support to the Nagoda General Hospital.
- » A range of environmental programmes including the Cleaning Sri Lanka initiative, beach cleanups, reforestation efforts, and awareness campaigns targeting multiple stakeholders.

Future Outlook

Looking ahead, the Hotel will continue to strengthen its sustainability practices, with a focus on deepening environmental stewardship, enhancing community engagement, and aligning with evolving industry standards and stakeholder expectations

Management Discussion & Analysis

PEOPLE AT THE CORE OF OUR SUCCESS

Talent, Engagement and Capability Building

Our people remain central to the Hotel's success and service promise. Our Human Resources (HR) strategy is designed to cultivate a respectful, inclusive, and performance-driven workplace where every individual is valued and supported. We are committed to the highest standards of ethical conduct and labour compliance, aligning with both Sri Lankan regulations and international hospitality benchmarks.

During the year, Royal Palms Beach Hotels PLC prioritised employee engagement, retention, and skills development in the face of continued sectoral challenges. By investing in talent development, employee well-being, and transparent communication, we continue to build a resilient workforce that drives operational excellence and enhances the guest experience.

Employee Diversity and Workforce Profile relevant tables and pie charts to be inserted

Gender Distribution

As at 31 March 2025, Royal Palms employed a total of 251 staff members, with a gender distribution of 221 males and 30 females. This represents a slight decrease in headcount compared to the previous year (255 in 2023/24), with the gender ratio remaining consistent.

Age Distribution

The age profile of the workforce shows a strong presence of youth, with over 35% of employees under the age of 25. However, the proportion of employees aged 25–34 declined compared to the

previous year, while representation in the 45–54 age category increased notably,

Employment Categories

A majority of employees (57%) continue to be on contract, consistent with the previous year. Permanent staff increased marginally, while casual employment remained nil, reflecting the Company's preference for stable employment arrangements.

Employee Seniority

The current workforce includes a healthy blend of new recruits and long-serving employees. In 2024/25, there was a marked increase in employees with 6 months to 2 years of service, while those with over 10 years of experience remain a significant proportion of the team, providing valuable institutional knowledge.

Age Policy

The Company adheres to Sri Lankan private sector norms regarding recruitment and retirement age. Re-employment of retirees and the awarding of tokens of appreciation are considered at the discretion of Management, guided by operational needs and performance.

Occupational Safety

Occupational safety remained a high priority, with a reduction in reported minor accidents from four in the previous two years to three in 2024/25. This reflects improved safety awareness and continued efforts to reinforce workplace protocols.

Recruitment

Our recruitment process is designed to be transparent, merit-based, and inclusive. Recruitment was managed carefully to align with operational needs, with a focus on attracting and retaining

talent suited to the hospitality environment. We prioritise diversity and inclusiveness. Employee welfare remained a key consideration, and open communication channels were maintained between management and staff.

Training and Development

The primary objective of the Training and Development (T&D) policy is to ensure that all team members acquire the skills and knowledge required to deliver exceptional service, uphold operational excellence, and support both personal and professional growth. The policy is designed to promote continuous improvement and adaptability in a dynamic hospitality environment shaped by evolving guest expectations and modern trends.

Training was delivered through a combination of in-house sessions and external programmes, covering areas such as food safety, housekeeping, customer service, and occupational health and safety. Emphasis was also placed on language training and hospitality soft skills, to ensure that team members were equipped to meet evolving guest expectations.

Regular Departmental Training

All departments are required to conduct a minimum of two training sessions each month to maintain and enhance job-related competencies. These sessions are mandatory for all employees and cover a broad range of topics relevant to each operational function. Through these sessions, staff members are kept informed of industry innovations and best practices, contributing to consistent service excellence.

Performance evaluations are conducted periodically, and the HR department concurrently

undertakes a training gap analysis to identify areas where additional support or upskilling may be necessary. This structured approach ensures that training efforts are targeted and responsive to both individual and departmental needs.

Seasonal Training Initiatives

During the off-season, the HR department intensifies its training efforts to ensure that staff are fully prepared for the peak season. These sessions focus on enhancing guest service, operational efficiency, and team coordination, equipping employees to meet the heightened demands of the high-occupancy period with confidence and competence.

Performance Improvement and Support

To uphold our service quality standards, we have implemented a Performance Improvement and Support Framework. This structured process enables early identification of performance challenges and provides timely, tailored support through coaching, training, and development plans.

The approach is designed not only to improve individual performance but also to enhance guest satisfaction and operational outcomes. By fostering accountability in a supportive environment, we enable employees to grow and contribute meaningfully to the Hotel's long-term success.

Fostering a Positive and Engaged Workforce

We prioritise a work culture that promotes employee recognition, collaboration, and a strong sense of belonging. Personal milestones, such as birthdays, are celebrated with individual gestures of appreciation, while monthly Town Hall meetings, led by the General

Manager and the HR team, serve as a platform to share business updates, recognise outstanding contributions, and promote open dialogue.

These initiatives have contributed to a more connected and motivated workforce, strengthening both team spirit and organisational alignment.

Recognition of Service Excellence

We maintain a structured approach to employee recognition, aimed at reinforcing high performance and guest satisfaction. The Employee of the Month programme acknowledges individuals who consistently demonstrate the Hotel's core values. Evaluations are based on performance, leadership, and guest feedback, with nominations assessed by senior management.

Our Star Card Programme complements this by rewarding employees who receive consistent positive guest reviews across online platforms. These recognition mechanisms are integral to our service culture, incentivising excellence and reinforcing our brand reputation.

Employee Benefits and Welfare

Our employee benefits programme reflects our commitment to fairness, well-being, and dignity at work. Key components include:

- » A tiered Service Charge Policy that ensures equitable distribution based on employment category and performance, even though not required by law.
- » Daily provision of three nutritious meals and two tea breaks, designed to support health and productivity.
- » Uniforms laundered and maintained by the hotel, with annual upgrades.
- » Access to salary and service charge advances to support short-

term financial needs.

- » Provision of safe, hygienic, and comfortable accommodation, with facilities tailored for different staff categories.

These measures are complemented by policies that promote financial security, such as gratuity payments for long-serving employees and compliance with all statutory leave entitlements.

Supporting Employee Well-being

Employee health and wellness are supported through biannual health camps, which raise awareness on lifestyle practices, promote preventive care, and enhance overall job satisfaction. These initiatives form part of our wider approach to employee care, recognising that wellness directly impacts engagement and performance.

Employee Conduct Guidelines

We uphold clear behavioural standards through our Employee Conduct Guidelines, which are based on the Hotel's Code of Conduct and are readily accessible to all staff. These guidelines are implemented with transparency and consistency, in line with legal and industry norms, and form the basis of a professional and respectful work environment.

Managers are regularly trained to apply these standards constructively, while open communication channels ensure staff are kept informed of expectations and any procedural updates.

Ethical Labour Practices

We maintain a zero-tolerance policy on child labour and enforce strict age-verification protocols during recruitment. All prospective employees are required to submit formal proof of age, and HR

Management Discussion & Analysis

validations ensure full compliance with Sri Lankan labour laws and ethical employment practices.

This commitment reflects our broader ESG responsibilities and reinforces the trust placed in us by guests, regulators, and the wider community.

Training and Development

Training and development activities during the year were structured to build staff capacity, strengthen safety protocols, and enhance awareness of sustainability and quality standards. These initiatives reflect the Company's commitment to operational excellence, guest safety, and environmental responsibility.

Key programmes conducted during the year included: relevant photos to be inserted

- » Health and Safety Training: A comprehensive first aid training session was conducted in partnership with the Red Cross – Kalutara, covering CPR, AED use, and basic first aid. In addition, the annual fire drill served as a full-scale emergency preparedness exercise, reinforcing staff readiness and evacuation protocols.
- » ISO Awareness Programme: A general awareness session on ISO standards was led by the General Manager, with a focus on quality management and continuous improvement in line with international benchmarks.
- » Sustainability and Environmental Training: Staff received training in waste management, water conservation, energy efficiency, and green practices. These sessions covered topics such as sustainable guest room practices, low-flow water systems, linen reuse programmes, LED lighting, thermostat optimisation, and renewable energy use. Employees

were also introduced to the 7R waste management concept and carbon-neutral initiatives such as air-to-air heat pumps and zero-emission bicycles.

- » Disaster Preparedness: Annual tsunami awareness training was conducted to familiarise staff with emergency contact protocols, information gathering procedures, designated assembly points, and coordination with disaster management authorities.

These structured training efforts are aligned with the hotel's long-term strategy to foster a high-performing, safety-conscious, and environmentally responsible workforce, ready to deliver consistent guest experiences across all seasons.

Employee Wellbeing, Recognition and Engagement Initiatives

Throughout the year, Royal Palms Beach Hotels PLC implemented a range of staff-focused initiatives to promote wellbeing, strengthen engagement, and recognise the contributions of our team. These events were designed to foster a cohesive, motivated and high-performing workforce, while reinforcing our shared values and corporate culture.

Staff Wellbeing and Health

- » Free Eye Camp: Conducted in partnership with a reputed eye care institution, this initiative offered free eye check-ups, consultations, and prescriptions for corrective lenses, benefiting a large number of staff members.
- » Health Camps: Three free health camps were held in collaboration with the Medical Team at Nagoda Hospital, offering services such as blood pressure monitoring, dietetic advice, and general medical consultations.

Team Building and Professional Development

- » Outbound Training (OBT): A structured offsite training programme for Executives and Supervisors focused on enhancing leadership, communication, problem-solving, and collaboration through team-based outdoor activities.
- » Off-Season Training and Team-Building: A comprehensive general training programme for all staff and trainees included team-building exercises, grooming and etiquette sessions, and soft skill development aimed at enhancing service quality and professional conduct.
- » Mentoring Programme: A structured mentoring initiative supported career development, boosted confidence, and encouraged a culture of continuous learning and support.

Staff Engagement and Recognition

- » Avurudu Celebrations: The Sinhala and Tamil New Year was celebrated on-site with traditional games and activities, fostering team spirit and celebrating cultural heritage.
- » Women's Day Talent Show: Organised to mark International Women's Day 2025, this event showcased the talents of our female team members and recognised their contributions through music, dance, drama, and creative performance.
- » Wesak Lantern Competition: An inter-departmental lantern design competition celebrated the spirit of Wesak while encouraging creativity, teamwork, and cultural appreciation.

Social Responsibility and Community Engagement

- » Wesak Dansala: Organised by the HR Department in collaboration with all departments, this event served both staff and the wider community, promoting compassion and unity during the religious season.
- » Railway Line Cleaning Programme: Staff, executives, and senior management joined together in a local clean-up initiative, reinforcing our commitment to environmental responsibility and strengthening team spirit across all levels.

Future Outlook

As the tourism sector continues to recover, the Company remains committed to investing in leadership development and building a resilient, motivated, and service-driven workforce aligned with future growth.

Corporate Governance

GOVERNANCE STRUCTURE

The “Royal Palms Beach Hotel” commitment towards Corporate Governance has been a key element for consistent organizational performance over the years, sustainability as well as in enhancing corporate image and stakeholder confidence. At Royal Palms Beach Hotel., our system of Corporate Governance provides the basis for effective, accountable, transparent and performance-oriented management, control and direction which is aimed towards sustainable value creation. With the guidance and direction of the highest decision making body, the Board; Company is equipped with a strong structure, processes and diligent practices of corporate governance which is imperative to stimulate organizational performance, inspire stakeholder confidence, and reduce opportunity for fraud thus creating a stable and robust organizational environment. We intend to commit considerable resources for continuous improvement of our Corporate Governance system and practices, recognizing our stewardship responsibilities towards the investors, employees, guests and the public at large; facilitating positive relationships between Company’s management, its Board, its shareholders and other stakeholders by aligning the interests of different stakeholders, while concentrating on risk management in achievement of the organizational objectives.

The Company is compliant with the Code of Best Practices on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka, and the Securities and Exchange Commission of Sri Lanka, as well as the rules on Corporate Governance published by the Colombo Stock Exchange.

This report sets out the Company’s Corporate Governance practices and processes for the financial year 2024/25 and the extent of compliance.

Governance Framework

The Corporate Governance framework of Royal Palms Beach Hotels PLC consists of a governance structure that promotes corporate fairness, transparency and accountability. The framework sets out the board committees and management committees, while demonstrating the communications among board committees, auditors, and our shareholders facilitated by a regulatory framework and an audit, assurance and certification process in a logical arrangement that is in line with the Code of Best Practice and rules on Corporate Governance.

Governance Structure

Components embedded within the Company that is aligned to the Code of Best Practice in order to execute governance related initiatives, systems and processes.

Assurance

Supervisory element of the Corporate Governance Framework, that assures the compliance with laws, regulations and best practices.

Regulatory Framework

Regulatory structure within which the Company operates towards conforming to established governance related laws, regulations and best practices.

Committees

Audit Committee	Remuneration Committee	Related Party Transactions Review Committee
<ul style="list-style-type: none"> » Reviews and monitors full year and interim results; » Monitors internal financial controls; » Oversees external audit relationship; and » Oversees risk management. 	<ul style="list-style-type: none"> » sets remuneration policy; » sets executive director remuneration and incentives; » approves annual performance objectives; and » approves granting of long-term incentives 	<ul style="list-style-type: none"> » Review Related Party Transactions of the Company; » Ensuring the compliance rules and other requirements with regard to the Related Party Transactions; » Overseeing existing policies and making recommendations with regard to Related Party Transactions.

A. DIRECTORS (11 PRINCIPALS)

Principal A.1: The Board

Royal Palms Beach Hotels PLC is headed by an effective board, which is responsible for the Leadership, Stewardship and Governance of the Company. The Board of Directors comprises of,

- » Three Non-Executive Independent Directors (NED/ID)
- » Seven Non-Executive Non Independent Director (NED) - includes the Chairperson

Directors Attendance

Name of Director	Attendance at board Meetings			
	27-Mar-25	10-Oct-24	Meetings Attended	Percentage Attended
Non-Executive Non Independent Directors				
Mr. N.H.V Perera	✓	✓	2/2	100%
Mr.Ajita De Zoyza	x	x	0/2	-
Mr. P.S.R.Casie Chitty	✓	✓	2/2	100%
Ms. A M Ondaatjie	✓	✓	2/2	100%
Mr. T J Ondaatjie	✓	✓	2/2	100%
Mr. G G Ondaatjie	✓	✓	0/2	100%
Mr. J D Vaz	✓	✓	2/2	100%
Non-Executive Independent Directors				
Mr. G K S Kumar (DOA 23.12.2024)	✓	-	1/2	50%
Ms. P T K Navaratne (DOA 23.12.2024)	✓	-	1/2	50%
Ms. Aroshi Nanayakkara (DOA 28.03.2025)	-	-		

Directors' Independence

The objectivity and independent judgment in all decisions of the Directors are established by ensuring that the Board acts unrestrictedly from undue influence of other parties or circumstances.

Name of Director /Capacity	Significant Shareholding	Management	Material Business Relationship	Employee of the Company	Financially dependent Family Member is a Director	Nine years of continuous Service
Non Executive Non Independent Directors						
Mr. N.H.V Perera	No	No	No	No	No	Yes
Mr.Ajita De Zoyza	No	No	No	No	No	Yes
Mr. P.S.R.Casie Chitty	No	No	No	No	No	Yes
Ms. A M Ondaatjie	No	No	No	No	No	Yes
Mr. G G Ondaatjie	No	No	No	No	No	Yes
Mr. T J Ondaatjie	No	No	No	No	No	Yes
Mr. J D Vaz	No	No	No	No	No	Yes
Non Executive Independent Directors						
Mr. G K S Kumar	No	No	No	No	No	No
Ms. P T K Navaratne	No	No	No	No	No	No
Ms. Aroshi Nanayakkara	No	No	No	No	No	No

Corporate Governance

- » Shareholding carrying not less than 5% of the voting rights of the Company.
- » Persons having authority and responsibility for key management decisions of the entity.
- » Relationships that result in income/non-cash benefits equivalent to 10% of director's annual income.
- » Close family member or any person who is financially dependent on such director.

Composition of the Board as at 31st March 2025 was as follows.

No. of Members	Executive	Non - Executive	Independent	Non - Independent	Gender Representation		Age Distribution			
					Male	Female	51-60	61-70	71-80	Above 81
10	0	10	03	07	07	03	08	01	-	01

A.5.3, A.5.4 & A.5.5 Independence of Non-Executive Directors – Compliant

The presence of Non-executive Independent Directors enables independent judgment. None of the Independent Directors have held executive responsibilities in their capacity as Independent Directors and have submitted a declaration confirming their Independence as at 31st March 2025 in accordance with section 07 of the CSE listing regulations on Corporate Governance. The biographical details of the Directors are set out on page 04 to 09 of this report.

Principal A.7: Appointments to the Board – Compliant

Royal Palms Beach Hotels PLC has a formal and transparent procedure for the appointment of Directors to the Board.

A.10: Disclosure of information in respect of Directors – Compliant

Information in respect of Directors is specified in the below sections of this Annual Report, in line with requirements of the Code of Best Practice:

Information	Section	Page number
Name & brief Profile	Board of Directors	04-09
Expertise in functional areas	Board of Directors	04-09
Material Business Relationships	A.5.3, A.5.4 & A.5.5	19
Executive, Non-executive & independence	A.1 & A.5	19
Other directorships	Board of Directors	04-09
Attendance at Board meetings	A.1	19
Sub-committee representation	Audit /Remuneration/Related Party Transactions Review Committee	40-44

B. DIRECTORS REMUNERATION (03 PRINCIPALS)

Principal B.1: Remuneration Procedure – Compliant

B.1.1, B.1.2, B.1.3 & B.1.5 Remuneration Committee, its composition and access to professional advice on determining the remuneration of Executive Directors – Compliant

Royal Palms Beach Hotels PLC has established a formal and transparent procedure for determining the remuneration packages of the Directors, by delegating the responsibility and the authority to a sub-committee of the Board.

The Remuneration Committee of the Company consists of Two Non-executive Independent and a Non - Executive Director namely:

Ms. P T K Navaratne - (NED / ID) - Chairman

Mr. P S R Casie Chitty - (NED)

Ms. G K S Kumar - (NED /ID)

The objective of the Remuneration Committee is to review and recommend the remuneration payable to the Executive Directors.

The Remuneration Committee met once during the financial year.

Name of Director	Position	Attendance at Remuneration Committee Meeting		
		13 –Feb -2025	Meetings Attended	Percentage Attended
Ms. P T K Navaratne	Chairman	✓	1/1	100%
Mr. P S R Casie Chitty	Member	✓	1/1	100%
Mr. G K S Kumar	Member	✓	1/1	100%

B.1.4 Remuneration of Non-executive Directors – Compliant

The Board as a whole determines the remuneration of the Non-executive Directors, including the members of the Remuneration Committee, based on the Articles of Association of the Company.

B.2: The level and make up of remuneration – Compliant

B.2.5 Executive Share Options – Not Applicable

This section is not applicable to the Company as, there were no share option schemes in effect during the financial period under review.

B.2.6 Remuneration Policy – Compliant

The design of the remuneration scheme, components of Directors' remuneration and the details of the amendments done to the existing remuneration have been set out in the Remuneration Committee Report on page 41.

B.2.7 & B.2.8 Compensation on early termination – Compliant

Compensation paid on early termination of Directors will be determined based on the initial contract/Articles of Association of the company, where the initial contract does not provide directions for compensation commitments.

B.2.9 Levels of remuneration for Non-executive Directors – Compliant

The Non-executive Directors will be paid a fee for attendance at the Board meetings and Board Sub-Committee meetings. The fee will be determined by the Board on an annual basis.

B.3: Disclosure of Remuneration – Compliant

The aggregate remuneration paid to Directors is disclosed on page 64 under the note 05 as a part of the financial statements of this report.

C. RELATIONS WITH SHAREHOLDERS (03 PRINCIPALS)

Principal C.1: Constructive use of the AGM and General Meetings – Compliant

Principal C.1.1 – C.1.5 Constructive use of the AGM and General Meetings –Compliant

The Company uses the AGM to effectively communicate and enhance the relationship with shareholders. The Shareholders have the right to voice their concerns to Board of Directors and exercise their votes at Annual General Meetings/ Extraordinary General Meetings of the Company. The notice of the meeting, a summary of the procedures governing the voting process at the meeting, and other relevant documents as required by the Companies Act No.07 of 2007 and Listing Rules of Colombo Stock Exchange are circulated to all the shareholders within the time frame stipulated in the relevant statutes.

Separate resolutions shall be proposed for each substantially separate issue, including a resolution for the adoption of the report and the accounts.

The Chairman of the Audit and Remuneration Committee will be present to clarify and provide explanations for the questions raised by the shareholders.

Corporate Governance

Principal C.2: Communication with Shareholders

Principal C.2.1 – C.2.7 Communication with Shareholders – Compliant

Mercantile Investments & Finance Plc. functions as Secretaries of the Company, and the shareholders are provided a channel to communicate with the Board/individual Directors effectively via the Company Secretaries.

All matters in relation to shareholders should be communicated to the Company Secretary and in absence; such matter can be referred to the chairperson.

The Company Secretary shall maintain all correspondence with the shareholders and disseminate timely responses to the shareholders.

Principal C.3: Major and Material Transactions – Compliant

There were no major transactions during the period under review that would materially affect the Company net asset base.

D. ACCOUNTABILITY AND AUDIT (05 PRINCIPALS)

Principal D.1: Financial Reporting

D.1.1 Balanced presentation of Financial Statements – Compliant

The Board is responsible for the preparation of Financial Statements that gives a true and fair assessment of the Company's financial, position, performance and prospects, in accordance with the Companies Act No. 07 of 2007, Sri Lanka Financial Reporting Standards (SLFRS)/Sri Lanka Accounting Standards (LKAS) and listing rules of the Colombo Stock Exchange.

The Board is conscious of its responsibility to the Shareholders, the Government and the Society at large, in which it operates and is unequivocally committed to upholding ethical behavior in conducting its business. The Board, through the Company's Administrative and Finance Divisions, strives to ensure that the businesses of the Company and its subsidiary comply with the laws and regulations of the country.

D.1.2 Annual Report of the Directors – Compliant

The Annual Report of the Board of Directors sets out the,

- » Compliance with laws and regulations
- » Directors' Interests have been disclosed in accordance with the provisions in the Companies Act No. 07 of 2007.
- » Equitable treatment to shareholders.
- » Appropriateness of the going concern assumption.
- » Appropriateness of the Company's Internal Control system.

D.1.3 Directors' responsibility for preparation and presentation of Financial Statements – Compliant

The Annual Report of the Directors as well as the Independent Auditors' Report declares the responsibility of the Board for the preparation and presentation of Financial Statements. The Financial Statements of the company were audited by Messrs Ernst and Young, Chartered Accountants.

D.1.4 "Management Discussion and Analysis" – Compliant

The Integrated Management Discussion and Analysis is set out on pages 10 to 17.

D.1.5 Going Concern of the business – Compliant

Directors have declared the appropriateness of the using going concern basis with supporting assumptions on pages 36 to 38 of the Annual Report of the Board of Directors section.

D.1.6 Serious loss of capital – Not Applicable

This principal is not applicable as the net assets of the Company remained higher than 50% of the value of the Company's shareholders' funds during the period under review.

D.1.7 Disclosure of Related Party Transactions – Compliant

The Related Party Transactions Review Committee, which is a sub-committee of the Board, is responsible for review and disclosure of Related Party Transactions.

Related Party Transactions Review Committee

The Related Party Transactions Review Committee consists of two Non-executive Independent Directors, and a Executive Director, namely:

Mr. G K S Kumar – Chairman (NEID)
 Ms. P T K Navaratne (NEID)
 Mr. N H V Perera (NED)

The Chief Financial Officer assists the committee by providing the relevant information and participating in the analysis and deliberations.

The objective of the Related Party Transactions Review Committee is to be consistent with the Code of Best Practices on Related Party transactions issued by the Securities & Exchange Commission.

A report of the Related Party Transactions Review Committee is given on page 42.

The Related Party Transactions Review Committee met four (4) times during the financial year.

Attendance at Related Party Transactions Review Committee Meeting							
Name of Director	Position	13-Feb-2025	11-Nov-2024	09-Aug -2024	27-May-2024	Meetings Attended	Percentage Attended
Mr. G K S Kumar*	Chairman	✓	-	-	-	1/4	25%
Mr. N H V Perera	Member	✓	✓	✓	✓	4/4	100%
Mr. P S R Casie Chitty**	Member	-	✓	✓	✓	3/4	75%
Mr. J D Vaz**	Member	-	✓	✓	X	2/4	50%
Ms. P T K Navaratne*	Member	✓	-	-	-	1/4	25%

* New Appointment

** Ceased to be a member of committee as of 23rd December 2024

The Company maintains a Directors' Interest Register and all Directors of the Company have disclosed their interests in other Companies, conforming to the provisions of the Companies Act No. 07 of 2007. Further all related party transactions in accordance with Sri Lanka Accounting Standard 24 – (LKAS 24) – Related Party Transactions are disclosed under note No. 26 to the Financial Statements.

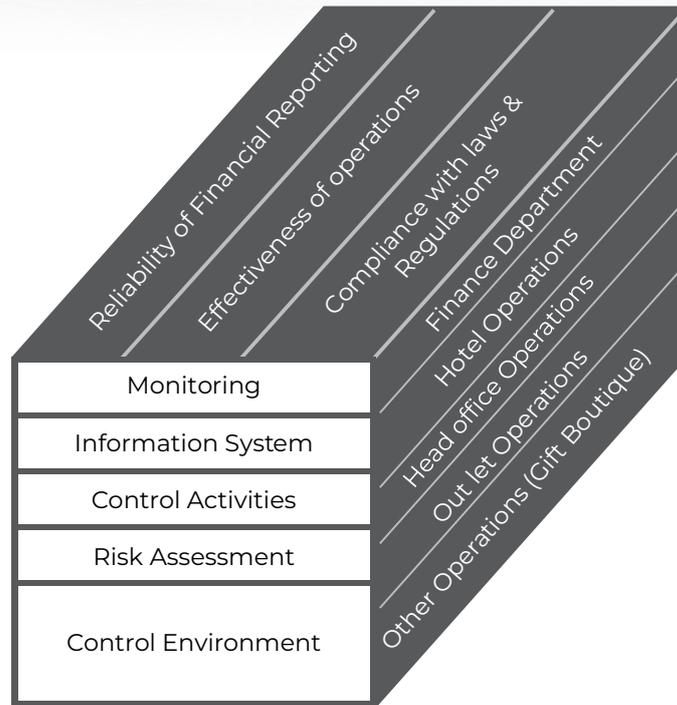
Principal D.2: Internal Controls

D.2.1 Effective System of Internal Controls & Risk Review – Compliant

The Board is responsible for the formulation of appropriate systems of internal controls for the Company and ensuring its effectiveness. The Board acknowledges its responsibilities for the system of internal control to facilitate the identification, assessment and management of risk, the protection of shareholders' investments and the Company's assets. The Directors recognize that they are responsible for providing return to shareholders, which is consistent with the responsible assessment and mitigation of risk. The Board is aware that any internal control systems contains inherent limitations and no system of internal control can provide absolute assurance against the occurrence of material errors, poor judgment in decision making, human errors, loss, frauds or other irregularities. Therefore, the Board takes appropriate action to minimize such situations.

Corporate Governance

There is an on-going process for identifying, evaluating and managing the significant risks faced by the Company which has been in place during the financial year and up to the date of approval of the Annual Report and Accounts. The Board regularly reviews this process. Internal Control process of the Company can be demonstrated in detail as below,



The three main objectives of Internal Controls of the company are,

1. Ensuring the reliability of Financial Reporting
2. Improving the effectiveness and the efficiency of hotel operations.
3. Compliance with the laws and regulations.

In achieving the above objectives Company has organized its Internal Controls system as follows,

Control Environment	Management, with the oversight of the Board, has created and maintained a “culture of honesty” and promotes ethical behavior, which provides the foundation for the other components of the Internal Control system.
Company regularly assesses the risk associated with the business and a detailed explanation of the risk assessment has been provided under the Risk Management section of this report on page 34 to 35.	Risk Assessment
Control Activities	Control Activities consists of the set of Internal Controls designed and implemented by the Company to manage risk associated with the business, including <ul style="list-style-type: none"> » Segregation of duties » Authorizations » Performance review » IT general controls and application controls » Other physical controls
Information System consist of the infrastructure, software, people, procedures and data that facilitates financial reporting and other hotel operations such as front office reservation system	Information System
Monitoring & Review	This aspect of the Internal Control system involves in evaluating whether the Internal Controls which have been designed and implemented are operating effectively, taking corrective action whenever there are inefficiencies and ensuring that the Internal Control system is sound and effective to minimize the risks faced by the Company.

Departments / Business Units

Internal Controls are designed and implemented over different departments/units of the Company, such as the finance, hotel operations, head office functions, outlet operations, gift boutique operations and other operations in achieving the three main objectives aforementioned.

The Company may be exposed to certain external and internal risks and recognizes the importance of controlling these risks and minimizing the possibility of any negative impact to the Company. The control systems are designed to safeguard the Company’s assets and maintain proper accounting records. Further Internal Audit Reports are reviewed and discussed at management level and thereafter forwarded to the Audit committee. Internal Audit Reports are structured in a way that it facilitates the resolution of the concerns highlighted and follow up action is monitored by the Board on an ongoing basis.

D.2.2 & D.2.3 Internal Audit Function & Audit Committee review of Internal Control System – Compliant

The Audit Committee oversees the Internal Audit Function of the Company by agreeing on an annual work plan, reviewing its performance and ensuring that the internal audit function has sufficient and appropriate resources to perform their duties effectively and efficiently in maintenance of a sound risk management process and internal control system.

Corporate Governance

D.2.4 Responsibilities of the Directors in maintaining a sound system of Internal Controls – Compliant

The “Statement of Directors Responsibility” on page 39 provides the declaration made by Directors accepting the responsibility to ensure that the Company is equipped with a sound system of internal controls.

PRINCIPAL D.3: AUDIT COMMITTEE

D.3.1, D.3.2 & D.3.3 Composition and the Duties of the Audit Committee – Compliant

The Audit Committee comprises of Independent Non-executive Directors.

The members of the Audit Committee are as follows:

Mr. G K S Kumar – Chairman (NEID)
Mr. N H V Perera (NED)
Ms. P T K Navaratne (NEID)

As prescribed in the listing rules of the Colombo Stock Exchange one member of the Audit Committee is member of a professional accounting body. Mr. G K S Kumar is a fellow member of Institute of Chartered Accountants of Sri Lanka (FCA). The External Auditors, the General Manager and Chief Financial Officer attend the Audit Committee meetings by invitation.

The Audit committee focuses principally in assisting the Board to fulfill its duties by providing an independent and objective view of the financial reporting process, internal controls, risk review and the audit function. The Audit Committee is assisted by the Internal Audit. Internal Controls have been designed to ensure transparency and good governance within the Company. The committee is responsible for the consideration and recommendation of External Auditors. A report of the Audit Committee is given on page 40.

The Audit Committee met four (4) times during the year, holding one meeting per quarter according to a predetermined agenda.

Attendance at Audit Committee Meeting							
Name of Director	Position	13-Feb-2025	11-Nov-2024	09-Aug-2024	27-May-2024	Meetings Attended	Percentage Attended
Mr. G K S Kumar*	Chairman	✓	X	X	X	1/4	25%
Mr. N H V Perera	Member	✓	✓	✓	✓	4/4	100%
Mr. P S R Casie Chitty**	Member	X	✓	✓	✓	3/4	75%
Mr. P T K Navaratne*	Member	✓	X	X	X	1/4	25%

* New Appointment

** Ceased to be a member of committee as of 23rd December 2024

D.3.4 Disclosure of the names of the Audit Committee and the Audit Committee Report – Compliant

The names of Directors in the Audit Committee are disclosed in the D.3.1 section and the manner of compliance with the Code of Best Practice by the Company is set out in the Audit Committee Report on page 40 of the annual report.

Principal D.4: Code of Business Conduct & Ethics

D.4.1 & D.4.2 Adoption of Code of Business Conduct & Ethics and Chairman's affirmation –

Adoption of a Code of Business Conduct and Ethics for Directors and members of senior management team is yet to be complied by the Company.

Principal D.5: Corporate Governance Disclosure – Compliant

The Corporate Governance section of the annual report from pages 18 to 33 sets out the manner and extent to which the company has adopted the principals and provisions of the Code of Best Practice on Corporate Governance.

The Company ensures that all shareholder rights are properly observed. Permanent procedures are carried out in line with the rules and regulations of the Colombo Stock Exchange, as well as the related laws.

The Company is committed to create long-term growth and returns to the shareholders and to conduct its business in a transparent manner.

E. INSTITUTIONAL INVESTORS

Principal E.1: Shareholder voting

E.1.1 Structured dialogue with shareholders – Compliant

A regular and structured dialogue shall be conducted with shareholders and the outcome of such dialogue should be communicated to the Board by the Chairman.

Principal E.2: Evaluation of governance disclosures by institutional investors – Compliant

Institutional investors are being encouraged to consider the relevant factors drawn to their attention with regard to board structure and composition.

F. OTHER INVESTORS

Principal F.1: Investing/Divesting Decision – Compliant

Individual shareholders are encouraged to carry out adequate analysis and seek professional advice when making their investment / divestment decisions.

Principal F.2: Shareholder Voting – Compliant

Individual shareholders are encouraged to participate and exercise their voting rights.

Levels of compliance with the CSE's Listing Rules- Section 7.10, Rules on Corporate Governance are given in the following table.

Reference to SEC & ICASL Code CSE Listing Rules No.	Subject	Applicable requirement	Compliance Status	Applicable Section in the Annual Report
7.10.1(a)	Non-Executive Directors	Two or at least one third of the total number of Directors should be Non-Executive Directors	Compliant	Corporate Governance
7.10.2(a)	Independent Directors	Two or one third of Non- Executive Directors, whichever is higher should be Independent	Compliant	Corporate Governance
7.10.2 (b)	Independent Directors	Each Non-Executive Director should submit a declaration of independence/ non independence in the prescribed format	Compliant	Available with the Secretaries for review
7.10.3(a)	Disclosure relating to Directors	<ul style="list-style-type: none"> » The Board shall annually make a determination as to the independence or otherwise of the Non-Executive Directors » Names of Independent Directors should be disclosed in the Annual Report 	Compliant	Corporate Governance Corporate Governance / Board of Directors' - Profile
7.10.3(b)	Disclosure relating to Directors	The basis for the Board to determine a Director is independent, if criteria specified for independence is not met.	Compliant	Corporate Governance

Corporate Governance

Reference to SEC & ICASL Code CSE Listing Rules No.	Subject	Applicable requirement	Compliance Status	Applicable Section in the Annual Report
7.10.3(c)	Disclosure relating to Directors	A brief resume of each Director should be included in the Annual Report including the areas of Expertise	Compliant	Board of Directors' - Profile
7.10.3(d)	Disclosure relating to Directors	Forthwith provide a brief resume of new Directors appointed to the Board with details specified in 7.10.3 (a),(b) and (c) to the Exchange	Compliant	Board of Directors' - Profile
7.10.4(a-h)	Determination of Independence	Requirements of meeting criteria	Compliant	Corporate Governance
7.10.5	Remuneration Committee	A listed company shall have a Remuneration Committee	Compliant	Corporate Governance
7.10.5(a)	Composition of Remuneration Committee	Shall comprise of Non-Executive Directors, a majority of whom will be independent	Compliant	Corporate Governance
7.10.5 (b)	Functions of Remuneration Committee	The Remuneration Committee shall recommend the remuneration of the Executive Directors	Compliant	Corporate Governance
7.10.5(c)	Disclosure in the Annual Report relating to Remuneration Committee	» Names of Directors comprising the Remuneration Committee » Statement of Remuneration Policy » Aggregated Remuneration paid to Directors	Compliant Compliant Compliant	Corporate Governance Corporate Governance Notes to the Financial Statements
7.10 .6	Audit Committee	The Company shall have an Audit Committee	Compliant	Corporate Governance and The Audit Committee Report
7.10.6(a)	Composition of Audit Committee	» Shall comprise of Non- Executive Directors a majority of whom will be independent	Compliant	Corporate Governance And The Audit Committee Report
		» A Non-Executive Director shall be appointed as the Chairman of the Committee	Compliant	Corporate Governance And The Audit Committee Report
		» CEO (Managing Director) & Chief Financial Officer shall attend Audit Committee Meetings	Compliant	Corporate Governance And The Audit Committee Report
		» The Chairman of the Audit Committee or one member should be a member of a professional accounting body	Compliant	Corporate Governance And The Audit Committee Report

Reference to SEC & ICASL Code CSE Listing Rules No.	Subject	Applicable requirement	Compliance Status	Applicable Section in the Annual Report
7.10.6(b)	Audit Committee Functions	<p>Functions shall include:</p> <p>Overseeing of the –</p> <ul style="list-style-type: none"> » Preparation, presentation and adequacy of disclosures in the Financial Statements in accordance with Sri Lanka Financial Reporting Standards » Compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements 	Compliant	Corporate Governance and The Audit Committee Report
		<ul style="list-style-type: none"> » Processes to ensure that the Internal Controls and Risk Management are adequate to meet the requirements of the Sri Lanka Auditing Standards » Assessment of the independence and performance of the External Auditors » Make recommendations to the Board pertaining to appointment, re – appointment and removal of External Auditors, and approve the remuneration and terms of engagement of the External Auditors 	Compliant	Corporate Governance and The Audit Committee Report
7.10.6 (c)	Disclosure in the Annual Report relating to Audit Committee	<ul style="list-style-type: none"> » Names of Directors comprising the Audit Committee 	Compliant	Corporate Governance and The Audit Committee Report
		<ul style="list-style-type: none"> » The Audit Committee shall make a determination of the independence of the Auditors and disclose the basis for such determination 	Compliant	Corporate Governance and The Audit Committee Report
		<ul style="list-style-type: none"> » The Annual Report shall contain a Report of the Audit Committee setting out the manner of compliance with their functions 	Compliant	Corporate Governance and The Audit Committee Report
D 1.7	Related party Transactions.	Disclosure of Related Party Transactions	Compliant	Notes to the Financial Statements

Corporate Governance

Levels of compliance with the CSE's Revised Listing Rules- Section 9, Rules on Corporate Governance are given in the following table.

CSE Rule	Requirement	Compliance Status	Action / Reference (within the Report)
9.1 Corporate Governance Rules			
9.1.3	A statement confirming compliance with Corporate Governance Rules	Yes	The Company adheres to the Corporate Governance Rules. Any deviations from these rules are disclosed within this Report, along with a clear explanation for each instance.
9.3 Board Committees			
9.3.1 b/c/d	Minimum required Board Committees	Yes	The Required committees are established and operational
9.3.2	Compliance with the composition, responsibilities and disclosures required in respect of the Board Committees	Yes	The required committees are functioning effectively, with clear mandates and engaged members
9.4 Meeting procedures and the conduct of all General Meetings with shareholders			
9.4.1	Records of all resolutions and the information upon a resolution being considered at any General Meeting shall be maintained.	Yes	Records of all resolutions are maintained
9.4.2 a/b/c	Communication and relations with shareholders and investors	Yes	Investor Relations Policy
9.6 Chairperson and CEO			
9.6.1	Requirement for a SID if the same individual holds the positions of Chairperson and CEO	N/A	N/A as the Chairperson is a NED
9.6.2	Market announcement on the rationale behind the appointment of a SID	N/A	N/A
9.6.3 a-d	Requirement for a SID	N/A	N/A
9.6.3 E	SID shall make a signed explanatory disclosure demonstrating the effectiveness of their duties	N/A	N/A
9.6.4	Rationale for the appointment of a SID set out in the Annual Report	N/A	N/A
9.7 Fitness of Directors and CEO			
9.7.1 - 9.7.5	Requirement to meet the fit and proper criteria stipulated by the CSE and related disclosures	Yes	Fit and proper declaration has been obtained from directors for the year.
9.8 Board Composition			
9.8.3 (i) to (viii)	Requirements for meeting the criteria to be an ID	Yes	Details of the independence criteria are met during the year under review.
9.8.5 a/b/c	The Board shall annually determine the independence or otherwise of IDs and name the Directors who are determined to be 'independent'.	Yes	All independent Non-Executive Directors (NEDs) have declared their independence, which has been duly evaluated. No non-compliances were identified during the year under review.

CSE Rule	Requirement	Compliance Status	Action / Reference (within the Report)
9.9 Alternate Directors			
a-e	Appointment of Alternate Directors to be in accordance with the Rules and such requirements to be incorporated into the Articles of Association.	For the current year	Articles of Association amended accordingly.
9.10 Disclosures relating to Directors			
9.10.2/9.10.3	Market announcement upon the appointment of a new director and any changes to the Board composition	Yes	The Relevant market announcement has been made.
9.10.4 a-i	Details about the Board members	Yes	Corporate Governance report pages 18 to 33. Annual report of the Board of Directors pages 36 to 38. Committee reports pages 40 to 44.
9.11 Nominations and Governance Committee			
9.11.1	Establishment of a Nominations and Governance Committee (NGC)	Yes	Refer to the Nominations and Governance Committee Report
9.11.2	Formal procedure for the appointment and reelection of Directors	Yes	Refer to the Nominations and Governance Committee Report
9.11.3	NGC to have a written Terms of Reference	Yes	Refer to the Nominations and Governance Committee Report
9.11.4 (1) a-b	The Composition of NGC	Yes	Refer to the Nominations and Governance Committee Report
9.11.4 (2)	Chairperson of NGC to be an ID	Yes	Refer to the Nominations and Governance Committee Report
9.11.4 (3)	Disclosure of names of the NGC Chairperson and members	Yes	Refer to the Nominations and Governance Committee Report
9.11.5 (i) – (x)	Functions of NGC	Yes	Refer to the Nominations and Governance Committee Report
9.11.6 a-m	NGC Report with requisite information to be disclosed in Annual Report	Yes	Refer to the Nominations and Governance Committee Report
9.12 Remuneration Committee			
9.12.3	The Remuneration Committee shall establish and maintain a formal and transparent procedure for developing policy on EDs and individual Directors.	Yes	Refer to the Remuneration Committee Report
9.12.4	Remuneration for NEDs shall be based on a policy of non-discriminatory pay practices to ensure the independence.	Yes	Refer to the Remuneration Committee Report

CSE Rule	Requirement	Compliance Status	Action / Reference (within the Report)
9.12.5	The Remuneration Committee shall have written terms of reference clearly defining its scope, authority, duties and matters pertaining to the quorum of meetings	Yes	Refer to the Remuneration Committee Report
9.12.6 (3)	An ID shall be appointed as the Chairperson of the Remuneration Committee	Yes	Chairman is ID
9.12.7	Functions	Yes	Refer to the Remuneration Committee Report
9.12.8 A	Names of Remuneration Committee Chairperson and members	Yes	Refer to the Remuneration Committee Report
9.12.8 B	Statement of Remuneration Policy	Yes	Refer to the Remuneration Committee Report
9.12.8 C	Aggregate remuneration paid to EDs and NEDs	Yes	Refer to the Remuneration Committee Report
9.13 Audit Committee			
9.13.2	The Audit Committee shall have written terms of reference clearly defining its scope, authority and duties.	Yes	Refer to the Audit Committee Report
9.14 Related Party Transactions Review Committee			
9.14.2 (1)	Related Party Transactions Review Committee shall comprise a minimum of 3 members, the majority of whom should be IDs, and an ID shall be appointed as the Chairperson.	Yes	Complied with the pertaining rule. The committee will be Constituted by the due date.
9.14.2 (2)	Where the parent company and the subsidiary are Listed Entities, the Related Party Transactions Review Committee of the parent company may function as the subsidiary's Related Party Transactions Review Committee.	N/A	N/A
9.14.3	Functions	Yes	Refer to the Related Party Transactions Review committee Report
9.14.4	General Requirements	Yes	Refer to the Related Party Transactions
9.14.5	Review of Related Party Transactions by the Related Party Transactions Review Committee	Yes	Refer to the Related Party Transactions
9.14.8 (1)	Details pertaining to Non-Recurrent Related Party Transactions	Yes	Refer to the Related Party Transactions Review committee Report
9.14.8 (2)	Details pertaining to Recurrent Related Party Transactions	Yes	Refer to the Related Party Transactions Review committee Report
9.14.8 (3)	Report of the Related Party Transactions Review Committee	Yes	Refer to the Report of the Related Party Transactions Review Committee

CSE Rule	Requirement	Compliance Status	Action / Reference (within the Report)
9.14.9 (1)/(2)	Shareholder approval for the acquisition and disposal of substantial assets	N/A	N/A
9.14.9 (4)/(5)/(6)	Competent, independent advice on the acquisition and disposal of substantial asset	N/A	N/A
9.16 Additional Disclosures			
(i)	Directors have disclosed all material interests in contracts and have refrained from voting when materially involved.	Yes	There were no material non-recurring transactions.
(ii)	Directors have conducted a review of the internal controls and obtained reasonable assurance of their effectiveness and adherence.	Yes	Refer to Audit committee report.
(iii)	Directors are aware of laws, rules and regulations and their changes, particularly to Listing Rules and applicable capital market provisions.	Yes	Refer to Annual report of board of directors
(iv)	Disclosure of material non-compliance with laws/ regulations and fines by relevant authorities where the Entity operates.	N/A	N/A

Risk Management

RISK

Risk management is the process of identifying, quantifying, and managing the risks that an organization faces. As the outcomes of business activities are uncertain, they are said to have some element of risk.

It is important to understand and manage the risks and accept in the context of the overall corporate strategy.

Royal Palms Beach Hotels PLC effectively manages both risk and reward. The hotel believes that in order to ensure reward, risk needs to be managed effectively. The risk framework involves risk identification, risk assessment and risk mitigation.

Risk is the probability of an undesirable outcome occurring due to a chosen activity or action.

The process of identifying potential risks and developing strategies to mitigate those risks is termed as Risk Management.

The benefit of identifying, managing and mitigating risks is immense for the diverse hospitality industry in which Royal Palms Beach Hotel operates.

Listed below are some of the risks and risk mitigation strategies used by Royal Palms Beach Hotels PLC:

» **BUSINESS RISK** results from the adverse impact on the Company's revenue and profitability. Hence, business risk is effectively managed so that the revenues and cash flows will not be affected, and Royal Palms Beach Hotel may be able to achieve its business objectives, grow and retain its competitiveness within the industry.

Control Measures

- » Royal Palms Beach Hotel manages its business risk by strategizing on increasing its market share and constantly seeking to tap emerging markets. The Company boasts of an impressive foreign clientele consisting of Russian, Ukraine, Germany and UK clients apart from its local market.
- » The business also utilizes the aid of various booking engines such as Agoda.com and Booking.com to increase its revenue and market position worldwide.
- » Internal measures are taken by the Company as well to constantly review and streamline its costs and expenditure. This internal exercise helps the Company to revise rates and increase profitability while maintaining its competitive position.
- » **ECONOMIC RISK** emerges from changes in economic variables such as inflation rates and interest rates which may distort the Company's growth as a result. Higher inflation rates may cause costs to increase and lower profitability for the Company. On the other hand, an increase in interest rates may increase finance costs and result in inability to repay debt.

Control Measures

- » Royal Palms Beach Hotel exercises regular cost reviews and places strict cost controls while concurrently maintaining quality. Maintaining high quality and improving its impressive brand image enables the hotel to maintain its rates in a competent manner enabling any adverse effects of inflation to even out.

- » Though higher interest rates are detrimental to the finance costs payable by the Company, Royal Palms Beach Hotel uses these increased rates to invest its excess funds. Thus, the Company benefits from matching payments against receipts.
- » The hotel is cautious in investing its funds or entering into loans and takes into account both reliability and the most beneficial rates. The hotel manages to do this effectively using the strength of its associate company Mercantile Investments and Finance PLC.
- » **FOREIGN EXCHANGE RISK** disrupts revenue due to exposure to fluctuations in foreign currency. Royal Palms Beach Hotel deals with a wide foreign clientele. Volatility in foreign exchange rates can cause a fall in revenue for the Company when translating its foreign currency payments to rupees.

Control Measures

- » The hotel seeks to denominate most of its foreign sales contracts in the stable US Dollar & Euro which are considered safe currencies.
- » The Company is also able to monitor foreign exchange movements through its head office treasury function. The treasury function enables the Company to review and convert foreign currency at the best rates and thereby maximize gains.
- » **NATURAL DISASTER RISK** is the damage any natural hazards could cause to the business. Several examples of natural disasters that could affect the hotel include fire, tsunami and floods.

Control Measures

- » The Company has taken numerous measures to transfer the risk to third parties in the form of insurance policies. These insurance policies cover the risk of the Company's assets being damaged due to natural hazards.
- » The hotel has invested in physical security and contingency measures in the hotel premises such as emergency exits, fire hoses, fire extinguishers and fire alarms to safeguard the assets of the company.
- » **LEGAL & STATUTORY RISK** is borne through litigation by the government, customers and business partners when legal and statutory requirements are not complied. This could result in losses arising from non-compliance with statutes and flawed contracts.

Control Measures

- » The Company obtains assistance from the centralized legal division in all legal proceedings. The division provides guidance, direction and advice to the hotel upon entering business contracts and signing agreements. Hence, the hotel is safeguarded from incurring unexpected losses as a result
- » Statutory compliance is given high priority and is regularly monitored and reviewed by the management. The quarterly internal audit program scopes in statutory compliance. A compliance certification is handed over to the Audit Committee for review by the management.
- » **OPERATIONAL RISK** results through slack in internal controls, inefficient business processes,

fraud, undue care and system breakdowns. The Company could face several implications in the form of disrupted operations, losses and ineffective use of resources.

Control Measures

- » The hotel has laid down clear systems and procedures with regard to ensuring compliance with its internal controls. The hotel uses a formal process where internal auditors are appointed to help detect the above mentioned operational risks by means of quarterly internal audits.
- » The auditors review the processes for its efficiency and effectiveness. More stringent internal controls are placed if deemed necessary. This process promotes transparency and minimizes the risks associated with the Company operations.
- » Further, there are CCTV cameras attached to key locations in the hotel premises to detect fraud and negligence.
- » **HEALTH & SAFETY RISK** is caused by unhealthy and dangerous work practices. This could be of two fold, health and safety of customers and health and safety of the workers in the Company.

Control Measures

- » The Company does constant maintenance to its chillers, elevators and the other assets it owns to ensure safe use. The hotel also carries out constant refurbishment of its premises to ensure safety for both its customers and workers.
- » The hotel has taken contingency measures and ensured the availability of emergency exits and safety warnings.

- » **COMPETITION RISK** results through strong competitive actions from new entrants and existing players in the market. The risk of competition involves the threat of new entrants as well.

Control Measures

- » Royal Palms Beach Hotels PLC places significant emphasis on maintaining its competitive position in the market. The excellent brand quality, unique interior and superlative service by the staff remain exclusive to the hotel, hence giving Royal Palms Beach a competitive edge over new and existing players in the market.
- » To take further advantage of its attractive brand, Royal Palms enhances its brand standard through regular refurbishment of the hotel property and upgrading of the facilities being offered. This helps the hotel to remain consumer focused and blend in innovative changes to suit the various tastes of its guests and make their visits memorable and repeated.
- » Another measure the Hotel takes to maintain its competitive position is through support from its associate travel arm Tangerine Tours (Pvt) Ltd. Besides this, long term affable relationships with other major tour operators are maintained to ensure successful business relationships. The hotel also maintains constant monitoring of its main competitors in the market as this enables to respond faster to competitive strategies.

Annual Report of the Board of Directors

The Directors have pleasure in submitting their report, together with the Audited Accounts for the financial year ended 31st March 2025.

REVIEW OF THE YEAR

The Chairman's Report on page 02-03 contains a review of the operations during the financial year.

PRINCIPAL ACTIVITY

The principal activity of the Company, which is hotelliering, remained unchanged.

CORPORATE GOVERNANCE

The Board of Directors of the Company is responsible for the governance of the company, which include setting out strategic aims, providing leadership and supervising the management. The corporate governance practices of the Company are given on Pages 18-33.

TURNOVER

The net turnover for the year was Rs. 955,845,378 (2023/2024 Rs 1,092,317,076)

PROFIT & LOSS ACCOUNT

	31.03.2025	31.03.2024
Net Profit/(Loss) for the year amounts to	33,914,750	164,722,523
Less: Provision for Taxation	(17,858,881)	4,358,506
Profit for the year	16,055,869	169,081,029
Unappropriated profit brought forward	785,939,384	619,410,527
Profit available for appropriation	800,543,373	785,939,384

ACCOUNTING POLICES

The Accounting Policies adopted in the preparation of the Financial Statements are given on pages 54-63. There were no changes to the Accounting Policies adopted during the year.

DIVIDENDS

The Directors do not recommend a dividend for this financial year.

CAPITAL EXPENDITURE

The total capital expenditure incurred on the acquisition of fixed assets during the year amounted to Rs. 59,990,147 (2024 Rs.70,735,307) details of which are given in note 09 to the financial statements

COMMITMENTS & CONTINGENCIES

The Company does not have significant capital commitments as at the reporting date.

OUTSTANDING LITIGATION

In the opinion of the Directors and in consultation with the Company Lawyers, company doesn't have outstanding litigation.

PROPERTY PLANT & EQUIPMENT

The details of property, plant & equipment of the Company are shown in note 09 to the financial statements.

RESERVES

The movements during the year of Capital and Revenue Reserves are shown in the statement of changes in equity on page 52.

DONATIONS

During the year donations amounting to Rs. Nil (2024 Rs. 125,975) were made to various charities by the Company.

POST BALANCE SHEET EVENTS

No Circumstances have arisen since the Balance Sheet date, which would require adjustment to or disclosure in the Accounts.

GOING CONCERN

The Board of Directors is satisfied that the Company will have adequate resources to continue its operations without any disruption in the foreseeable future. Accordingly, the Directors consider that it is appropriate to prepare Financial Statements on Going Concern basis.

DIRECTORS

The names of the Directors are shown on page 04-09.

Mr. M U Maniku and Mr. M Keerthiratne ceased to be directors in terms of Section 211 of the Companies Act No. 7 of 2007 on 26th September 2024.

In terms of Article 88(i) of the Articles of Association, Mr. P S R Casie Chitty retires by rotation and being eligible offers himself for re-election.

Special notice has been given of the intention to propose ordinary resolution as set out in the notice of meeting to re-elect, Mr. A de Zoysa as a Director of the company in terms of Section 211 of the Companies Act No. 07 of 2007.

In terms of Article 95 of the Articles of Association Ms. P T K Navaratne, Mr. G K Sudath Kumar and Ms. A Nanayakkara retire and being eligible, offer themselves for re-election.

BOARD COMMITTEES

The following members of the Board serve on the Audit Committee

Mr. G K Sudath Kumar
Ms. P T K Navaratne
Mr. N H V Perera

The report of the audit committee is given on page 40 of this report.

The following members of the Board serve on the Remuneration Committee.

Ms. P T K Navaratne
Mr. P S R Casie Chitty
Mr. G K Sudath Kumar

The following members of the Board serve on the Related Party Transactions Review Committee

Mr. G K Sudath Kumar
Ms. P T K Navaratne
Mr. N H V Perera

The Board affirms that the Company has complied with the requirements of the listing rules of the Colombo Stock Exchange on Related Party Transactions.

The following members of the Board serve on the Nominations and Governance Committee.

Ms. P T K Navaratne
Mr. G K Sudath Kumar
Ms. A M Ondaatjie

DIRECTORS' INTERESTS REGISTER

The Company maintains an Interest Register in compliance with the Companies Act No.07 of 2007.

DIRECTORS INTEREST IN CONTRACTS

The Directors of the Company have made the general disclosures provided for in Section 192(2) of the Companies Act No.07 of 2007. The related party disclosures and the Directors of each of those related parties are given on pages 04-09 and they have refrained from voting on matters in which they were materially interested

DIRECTORS REMUNERATION

The aggregate emoluments paid to the Directors during year, amounted to Rs.545,000

DIRECTORS SHAREHOLDINGS

As at 31st March	2025	2024
Ms. A M Ondaatjie	1,126,733	1,126,733
Mr. G G Ondaatjie	1,081,734	1,081,734
Mr. T J Ondaatjie	1,414,233	1,414,233
Mr. A de Zoysa	625	625
Mr. N H V Perera	295,798	265,795
Mr. J D Vaz	33	33
Mr. P S R Casie Chitty	-	-
Ms. P T K Navaratne	-	-
Mr. G K S Kumar	-	-
Ms. A Nanayakkara	-	-

Mr. Ravi Kurukalsuriya serves as General Manager and does not hold any shares in the Company.

PUBLIC HOLDING

The number of Ordinary Shares held by the public as at 31st March 2025 was 14,231,012 shares (2024- 11,458,189), which amounted to 28.46% (2024-22.92%) of the issued ordinary shares of the Company.

The number of public shareholders as at 31st March 2025 - 1,592

Float Adujusted Market Capitalisation as at 31/03/2025 - Rs. 469,590,000

The Company is compliant with the minimum public holding requirement under option 2 of 7.13.1 (i)(b)

Number of shares representing the Stated Capital is 50,000,000

EMPLOYEE SHARE OPTION SCHEMES

The Company does not have any employee share option schemes.

Annual Report of the Board of Directors

COMPLIANCE WITH APPLICABLE LAWS AND REGULATIONS

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

RISK MANAGEMENT AND INTERNAL CONTROLS

Risk Management and Internal Control measures carried out by the Board are given on pages 34-35 and the Board has conducted a review of the internal controls covering financial operational and compliance controls and risk management and have obtained reasonable assurance of their effectiveness and successful adherence therewith.

APPRAISAL OF BOARD PERFORMANCE

The Board carried out an annual self-evaluation of its own performance and that of the subcommittees to ensure that they discharge their duties and responsibilities satisfactorily.

AUDITORS

Messrs. Ernst & Young Chartered Accountants are deemed re-appointed in terms of Section 158 of the Companies Act No.7 of 2007 as the Auditors of the Company. A resolution proposing the Directors be authorized to determine the remuneration of the Auditors will be submitted to the Annual General Meeting.

The Auditors Messrs. Ernst & Young were paid Rs.615,000 as audit fees by the Company and Rs.371,213 was paid for non-audit services for the year.

As far as the Directors are aware, the Auditor does not have any relationship (other than that of an auditor) with the company other than those disclosed above. The Auditors also do not have any interests in the Company.

For and behalf of the Board



A.M. Ondaatjie
Chairperson



T.J. Ondaatjie
Director

.....
Mercantile Investments and Finance PLC
Secretaries

15th August 2025

Statement of the Directors' Responsibilities in Relation to the Financial Statements

The responsibilities of the Directors, in relation to the Financial Statements of the Company differ from the responsibilities of the Auditors, which are set out in the Independent Auditors' Report on pages 46 to 48.

As per the provisions of the Companies Act No. 7 of 2007 the Directors are required to prepare Financial Statements for each Financial Year giving a true and fair view of the state of affairs of the Company as at the end of the Financial Year and of the results of its operations for the Financial Year.

The Directors consider that, in preparing these Financial Statements set out through pages 49 to 53 appropriate Accounting Policies have been selected and applied in a consistent manner, supported by reasonable and prudent judgment and that all applicable Accounting Standards, as relevant, have been followed.

The Directors are confident that the Company has adequate resources to continue in operation and have applied the going concern basis in preparing these Financial Statements. Further, the Directors have a responsibility to ensure that the Company maintains sufficient accounting records to disclose with reasonable accuracy, the financial position of the Company and to ensure that the Financial Statements presented comply with the Companies Act No. 7 of 2007.

The Directors are also responsible for taking reasonable steps to safeguard the assets of the Company and in this regard to give proper consideration to the establishment of appropriate internal control systems to prevent and detect fraud and other irregularities.

The Directors are confident that they have discharged their responsibilities as set out in the statement. The Directors also confirm that to the best of their knowledge, all statutory payments payable by the Company as at the Balance Sheet date have been paid or where relevant, provided for.

By Order of the Board

Mercantile Investments and Finance PLC
Secretaries

15th August 2025
Colombo.

Audit Committee Report

FUNCTIONS

The primary function of the Audit Committee is to assist the Board of Directors in fulfilling its overall responsibilities. The Audit Committee functions include the review of Financial Statements, internal control procedures, compliance with accounting standards and statutory compliance. The Audit Committee assists the Board of Directors in discharging their duties. Where necessary the Audit Committee makes suggestions and recommendations to the Board in areas within its purview.

MEMBERS OF THE AUDIT COMMITTEE

The Audit Committee consists of two Non-Executive Independent Directors and a Non-Executive Director namely Mr. G.K.S Kumar, Ms. P.T.K Navaratne and Mr. N.H.V. Perera.

MEETINGS

The Audit Committee held four meetings during the year under review. The Statutory Auditors, the Chief Financial Officer, Financial Controller, Chief Accountant and the General Manager also attend these meetings on invitation.

Name of Member	Position	Attendance at Audit Committee Meetings					
		13-Feb-2025	11-Nov- 2024	09-Aug – 2024	27-May-2024	Meetings Attended	Percentage Attended
Mr. G K S Kumar*	Chairman		-	-	-	1/4	25%
Mr. N H V Perera	Member		P		P	4/4	100%
Mr. P S R Casie Chitty**	Member	-	P		P	3/4	75%
Ms. P T K Navaratne*	Member		-	-	-	1/4	25%

* New Appointment

** Ceased to be a member of committee as of 23rd December 2024

INTERNAL AUDIT FUNCTION

The Committee reviews the internal audit reports to ensure that the Company's systems and procedures are effective and that the internal controls provide reasonable assurance to the Directors that assets are safeguarded and that the financial reporting system can be relied upon in preparation and presentation. The Internal Audit function has been outsourced to Deloitte Associates (Chartered Accountants). Generally, the audits are carried out on a quarterly basis. Based on the audit findings and recommendations of the Internal Auditors, the Audit Committee after discussing with the management, recommends the implementation of those recommendations that are considered to be practical and necessary.

FINANCIAL STATEMENTS

The Audit Committee assists the Board in assuring the integrity of the Financial Statements and disclosures. The Committee discusses matters relating to the Financial Statements with the External Auditors before recommending to the Board the adoption of the Financial Statements.

EXTERNAL AUDITORS

The Audit Committee has determined that Messrs Ernst & Young, Auditors are independent on the basis that they do not carry out any management related functions of the Company. The Audit Committee has recommended the Board of Directors the re-appointment of Messrs Ernst & Young (Chartered Accountants) for the financial year ending 31st March 2025, subject to the approval of the shareholders at the Annual General Meeting.



G K S Kumar
Chairman -Audit Committee

15th August 2025

Remuneration Committee Report

The Remuneration Committee, appointed by and responsible to the Board of Directors, consists of two Non-executives independent Directors and P.T.K. Navaratne, G.K.S. Kumar and P.S.R Casie Chitty. The Committee is chaired by Ms. P.T.K. Navaratne.

Roles and Responsibility

Reviewing and making recommendations to the Board on remuneration packages and policies applicable to the Directors and Key Management Personnel.

Purpose of the Committee

The Remuneration Committee is a sub-committee of the Board, which is responsible for reviewing, making recommendations to the Board and approving the remuneration packages and policies applicable to the Directors and Key Management Personnel.

Duties of Committee

Attracting, retaining and motivating Directors of appropriate calibre and experience are essential to the Company's future success and therefore it is the primary objective of the Committee. The other objectives of the remuneration policy are to:

- » Overseeing the compliance with statutory responsibilities relating to remuneration;
- » Reviewing Executive and Non-Executive Director termination payments;

Remuneration Policy

Remuneration policies and practices are designed to support strategy and promote long-term sustainable success of the Company; The Directors emoluments are disclosed on page 37.

- » Executive remuneration is aligned to the Company's purpose and values, and is clearly linked to the successful delivery of the Company's long-term strategy;
- » Determine the remuneration of senior management.
- » Executive EPF & ETF contributions are in line with those available to the rest of the workforce; and provide enhanced reporting in the Company's annual report and accounts.

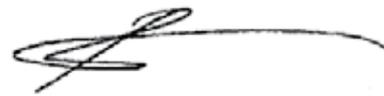
Meetings

The Committee met once during the financial year. The Chief Financial Officer assists the committee by providing relevant information required by the committee.

Attendance at Remuneration Committee Meetings			
Name of Director	Position	13/02/2025	Meeting Attendance
P T K Navaratne	Chairperson	✓	1/1
P S R Casie Chitty	Member	✓	1/1
G K S. Kumar	Member	✓	1/1

Conclusion

During the year, the Committee conducted a review of all elements of the remuneration packages of Directors and performance-related elements. This report describes how the Board has applied the principles relating to Directors' remuneration in the Combined Code on Corporate Governance, and the corresponding requirements as per Companies Act 2007 through the remuneration committee



P T K Navaratne
Chairperson
Remuneration Committee

15th August 2025

- » Ensure the integrity of the Company's remuneration strategy is maintained and that the shareholder and employee interests are aligned;
- » Pay a base salary, benefits and other perks which compares with other companies of comparable size and complexity in accordance with the remuneration policy;
- » Use short-term and long-term increments to encourage Executive Directors to out-perform targets, thereby linking their rewards to the interests of shareholders and other stakeholders and giving them the opportunity to increase their earnings;

Related Party Transaction Committee Report

INTRODUCTION

The Board established the Related Party Transactions Review Committee in terms of the Code of Best Practice on Related Party Transactions issued by the Securities and Exchange Commission of Sri Lanka (the "Code") and section 9 of the Listing Rules of the Colombo Stock Exchange (the "Rules")

COMPOSITION OF THE COMMITTEE.

Name	Membership Status	Directorship Status/ Position held in the company
Mr. G K S Kumar	Chairman	Non- Executive Independent Director
Ms. P T K Navaratne	Member	Non- Executive Independent Director
Mr. N H V Perera	Member	Non-Executive Director

THE MANDATE OF THE COMMITTEE INCLUDES:

1) The Purpose:

The Committee is an entity under the Board of Directors, and was established to enhance corporate transparency and promote fair transactions. The committee is responsible for reviewing related party transactions.

(2) Composition:

The Related Party Transactions Committee shall comprise of two Non-executive Independent Directors and one Non-Executive Director. Currently, the committee consists of three Directors. The head of the committee is Mr. G K S Kumar – Independent Director.

(3) Operation:

The Related Party Transactions Committee held four meetings during the last financial year ending 31st March 2025. The Committee has reviewed all the Related Party Transactions quarterly and has communicated the comments and observations to the Board of Directors and has complied with the section 9.3.2© of the CSE listing rules.

Attendance at Related Party Transaction Review Committee Meetings						
Name of Director	Position	13th Feb 2025	11th Nov 2024	09th Aug 2024	27th May 2024	Meeting Attendance
G K S Kumar*	Chairman	✓	-	-	-	1/4
P T K Navaratne*	Member	✓	-	-	-	1/4
N H V Perera	Member	✓	✓	✓	✓	4/4
J D Vaz**	Member	-	✓	✓	X	2/4
P S R Casie Chitty	Member	-	✓	✓	✓	3/4

* New Appointment

** Ceased to be a member of committee as of 23rd December 2024

(4) Responsibilities:

- » To seek and receive reports on Related Party Transactions between the Company and its Affiliates.
- » To review related Party Transactions.
- » To recommend corrective measures.

Policies and procedures

The Company maintains a Directors' Interest Register and all Directors of the Company have disclosed their interests in other Companies conforming to the provisions of the Companies Act No. 07 of 2007. Further, all Related Party Transactions in accordance with Sri Lanka Accounting Standard 24 - (LKAS 24 – Related Party Transactions) are disclosed under Note No. 26 to the Financial Statements.

The Committee in discharging its functions primarily relied on processes that were validated from time to time with a view to ensuring that:

- » There is compliance with 'The Code' and the Listing Rules of the CSE
- » Shareholder interests are protected; and
- » Fairness and transparency are maintained.



G K S Kumar
Chairman
Related Party Transactions Review Committee

15th August 2025

Nomination & Governance Committee Report

The objective of the Committee is to manage the selection, appointment re-election and evaluation of Board Directors.

The Nominations and Governance Committee appointed by the Board comprised of three (03) Members two (02) of whom were Non - Executive Independent Directors.

The Nominations and Governance Committee as at 31 March 2025, consisted of the following members.
Composition of the Committee

Name of the Directors	Position	Attendance at Nomination & Governance Meeting 13.02.2025	Meeting Attendance
P .T. K. Navaratne w.e.f. 23rd December 2024	Chairperson Non - Executive Independent Directors	✓	1/1
G .K. S. Kumar w.e.f. 23rd December 2024	Member Non - Executive Independent Directors	✓	1/1
A .M. Ondaatjie w.e.f. 23rd December 2024	Member Non-Executive Director	✓	1/1

COMMITTEE MEETINGS

The Committee met once during the year .Minutes of the Nomination and Governance Committee meeting are also tabled at the Board Meetings.

RESPONSIBILITIES OF THE COMMITTEE

1. Evaluation of the quality of the Board members and its composition.
2. Evaluation of the performance of the Board, its Committees and Individual Directors to ensure that their responsibilities are satisfactorily discharged.
3. Reviewing the appointments, re-appointments, re-election, and election of Directors to the Boards of the Companies, as well as their succession planning, and suggesting amendments where necessary.

KEY FUNCTIONS OF THE COMMITTEE

1. Ensuring the diversity in terms of experience, skills and age to support effective Board performance.
2. And effectiveness of Royal Palms Beach Hotels Plc as well as the Key Management Personnel (KMPs).
3. Reviewing and recommending appointments to the Boards of companies whenever necessary.
4. Evaluating and recommending suitable internal and external candidates to higher levels of management.
5. Evaluating the eligibility of the Directors who have offered themselves for reappointment and re- election to the Board considering the performance and contribution made by the Director concerned towards the overall discharge of the Board's responsibilities and make necessary recommendations to the Board.
6. Evaluating the combination of varied skills, knowledge and experience of the Directors of the Company and of the companies.
7. Ascertain the competencies of Directors are adequate to meet the required strategic demands of the company.



P .T. K. Navaratne
Chairperson –Nomination & Governance Committee

15th August 2025

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Independent Auditor's Report



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CAY/SW/AD

TO THE SHAREHOLDERS OF ROYAL PALMS BEACH HOTELS PLC

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Royal Palms Beach Hotels PLC ("the Company"), which comprise the Statement of Financial Position as at 31 March 2025, 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 2025, 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 CA Sri Lanka (Code of Ethics) and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

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

Partners: D K Hulangamuwa FCA FCMA LLB (London), A P A Gunasekera FCA FCMA, Ms. Y A De Silva FCA, Ms. G G S Manatunga FCA, W K B S P Fernando FCA FCMA, B E Wijesuriya FCA FCMA, R N de Saram ACA FCMA, Ms. N A De Silva FCA, N M Sulaiman ACA ACMA, Ms. L K H L Fonseka FCA, Ms. K R M Fernando FCA ACMA, Ms. P V K N Sajeewani FCA, A A J R Perera ACA ACMA, N Y R L Fernando ACA, D N Gamage ACA ACMA, C A Yalagala ACA ACMA

Principals: T P M Ruberu FCMA FCCA MBA (USJ-SL), G B Goudian ACMA, Ms. P S Paranavitane ACA ACMA LLB (Colombo), D L B Karunathilaka ACMA, W S J De Silva Bsc (Hons) - MIS Msc - IT, V Shakthivel B.Com (Sp)

A member firm of Ernst & Young Global Limited

Key audit matter	How our audit addressed the key audit matter
<p>Assessment of fair value of Land and Buildings : Property, Plant and Equipment include land and buildings carried at fair value.</p> <p>This was a key audit matter due to:</p> <ul style="list-style-type: none"> » materiality of the reported land and building balances which amounted to Rs 2,540 Mn and represents 67% of the total assets; and » the degree of assumptions, judgments and estimation uncertainties associated with assessing fair value of land and buildings such as reliance on comparable market transactions, and current market conditions. <p>Key areas of significant judgments, estimates and assumptions used in assessing fair value of the land and building, as disclosed in note 28.4, included judgements involved in ascertaining the appropriateness of valuation techniques and estimates such as:</p> <ul style="list-style-type: none"> » Estimate of per perch value of the land. » Estimate of the per square foot value of the buildings. 	<p>Our audit procedures included the following key procedures:</p> <ul style="list-style-type: none"> » Assessed the competency, capability, and objectivity of the external valuer engaged by the company » Read the external valuer’s report and understood the key estimates made and the approach taken by the valuer in determining the valuation of each property » Assessed the reasonableness of the significant judgements, estimates and assumptions made by the valuer per perch price of land, per square foot rate of building and valuation techniques as relevant in assessing the fair value of each property <p>We have also assessed the adequacy of the disclosures made in note 9.4 & 28.4 to the financial statements.</p>

Other information included in the company’s 2025 Annual Report

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

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

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

Responsibilities of 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

Independent Auditor's Report

and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

1. 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.
2. 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 controls.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. 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.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with those 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 7752.



15 August 2025
Colombo

Statement of Financial Position

As at 31 March 2025

ASSETS	Note	2025 Rs.	2024 Rs.
Non-Current Assets			
Property, Plant & Equipments	9	2,773,691,123	2,452,904,376
Intangible Assets	10	23,842	36,838
Other Financial Assets	15.1	21,073,770	18,352,764
Right - of - Use Assets	13	7,350,649	10,516,225
		2,802,139,384	2,481,810,203
Current Assets			
Inventories	11	31,081,287	35,445,330
Trade and Other Receivables	12	294,493,151	425,477,406
Other Non Financial Assets	14	48,428,380	29,923,255
Income Tax Receivable		-	8,868,334
Amounts Due from Related Parties	15.3	2,693,348	3,467,625
Short Term Investments	15.2	240,967,591	231,002,167
Cash and Bank Balances	16	361,874,631	223,993,410
		979,538,388	958,177,527
Total Assets		3,781,677,772	3,439,987,730
EQUITY AND LIABILITIES			
Capital and Reserve			
Stated Capital	17	521,583,448	521,583,448
Revaluation Reserve	18.1	1,452,105,480	1,209,150,533
Fair value Reserve of Financials Assets at FVOCI	18.2	2,177,094	272,390
Retained Earnings		800,543,374	785,939,384
Total Equity		2,776,409,396	2,516,945,755
Non-Current Liabilities			
Deferred Tax Liabilities	8.2	754,071,956	667,208,708
Lease Liabilities	24	5,676,525	9,122,239
Post Employment Benefit Liability	21	54,801,386	45,653,650
		814,549,867	721,984,597
Current Liabilities			
Trade and Other Payables	19	102,404,715	131,794,630
Income Tax Payable		15,418,780	-
Amounts Due to Related Parties	20	6,555,462	8,163,434
Lease Liabilities	24	3,445,713	2,993,996
Interest Bearing Loans and Borrowings	22	62,893,839	58,105,318
		190,718,509	201,057,378
Total Equity and Liabilities		3,781,677,772	3,439,987,730

These Financial Statements are in Compliance with the Requirements of the Companies Act No :07 of 2007.



M.I. Shahabdeen
Chief Financial Officer

The Board of Directors is Responsible for these Financial Statements. Approved and Signed for and on Behalf of the Board;



A.M. Ondaatjie
Chairperson



T.J. Ondaatjie
Director

The Accounting Policies and Notes on Pages 54 Through 87 form an Integral Part of the Financial Statements.

15 August 2025
Colombo

Statement of Profit or Loss

Year ended 31 March 2025

	Note	2025 Rs.	2024 Rs.
Revenue	3	955,845,378	1,092,317,076
Cost of Sales		(304,474,496)	(324,497,006)
Gross Profit		651,370,882	767,820,070
Other Income & Gains	4	(12,266,576)	(8,125,531)
Selling and Distribution Expenses		(30,619,758)	(27,649,647)
Administrative Expenses		(581,252,184)	(601,845,573)
Other Expenses		(4,422,272)	(1,558,117)
Finance Income	6	13,172,143	38,971,895
Finance Costs	6	(2,067,485)	(2,890,574)
Profit Before Taxation	5	33,914,750	164,722,523
Income Tax Expense	8	(17,858,881)	4,358,506
Profit For the Year		16,055,869	169,081,029
Earnings Per Share - Basic	7	0.32	3.38

The Accounting Policies and Notes on Pages 54 Through 87 form an Integral Part of the Financial Statements.

Statement of Comprehensive Income

Year ended 31 March 2025

	Note	2025 Rs.	2024 Rs.
Profit/(Loss) For the Year		16,055,869	169,081,029
Other Comprehensive Income			
Other Comprehensive Income to be Reclassified to Statement of Profit or Loss in Subsequent Periods (Net of Tax):		-	-
Other Comprehensive Income not to be Reclassified to Statement of Profit or Loss in Subsequent Periods (Net of Tax):			
Actuarial Gains/(Losses) on Post Employment Benefit Liability	21.1	(2,074,114)	(2,536,083)
Income Tax Effect on Actuarial Gains / (Losses) on Post employment Benefit Liability	8.2	622,234	760,825
Revaluation of Land & Buildings	18	336,582,654	-
Income Tax Effect on Revaluation of Land and Buildings	18	(93,627,707)	7,257,173
Gain on Fair Value Through Other Comprehensive Income Financial Instruments	18.2	2,721,006	-
Income Tax Effect on Gain on Fair Value Through Other Comprehensive Income Financial Instruments		(816,302)	-
Other Comprehensive Income/(Loss) for the Year		243,407,771	5,481,915
Total Comprehensive Income for the Year		259,463,640	174,562,944

The Accounting Policies and Notes on Pages 54 Through 87 form an Integral Part of the Financial Statements.

Statement of Changes in Equity

Year ended 31 March 2025

	Stated Capital	Revaluation Reserve	Retained Earnings	Fair value Reserve of Financials Assets at FVOCI	Total Equity
	Rs.	Rs.	Rs.	Rs.	Rs.
As at 01 April 2023	521,583,448	1,201,893,360	619,410,527	272,390	2,343,159,725
Net Profit/(Loss) for the Year	-	-	169,081,029	-	169,081,029
Other Comprehensive Income	-	7,257,173	(1,775,258)	-	5,481,915
Total Comprehensive Income	-	7,257,173	167,305,771	-	174,562,944
Adjustment for Right of Use Asset	-	-	(776,914)	-	(776,914)
As at 31 March 2024	521,583,448	1,209,150,533	785,939,384	272,390	2,516,945,755
Net Profit/ (Loss) for the Year	-	-	16,055,869	-	16,055,869
Other Comprehensive Income	-	242,954,947	(1,451,880)	1,904,704	243,407,771
Total Comprehensive Income	-	242,954,947	14,603,989	1,904,704	259,463,640
As at 31 March 2025	521,583,448	1,452,105,480	800,543,373	2,177,094	2,776,409,396

The Accounting Policies and Notes on Pages 54 Through 87 form an Integral Part of the Financial Statements.

Statement of Cash Flow

Year ended 31 March 2025

	Note	2025 Rs.	2024 Rs.
Cash Flows From Operating Activities			
Profit / (Loss) Before Taxation		33,914,750	164,722,523
Adjustments for :			
Depreciation	9 /13	76,421,509	73,292,377
Amortisation of Intangible Assets	10.2	12,996	12,996
Finance Income	6	(13,172,143)	(38,971,895)
Finance Costs	6	141,481	570,914
Interest Expenses on Lease	6	1,926,004	2,319,660
Loss from Derecognition of Property, Plant & Equipment		585,960	-
(Gain) / Loss on Disposal of Property, Plant and Equipments		1,568,737	(5,024,291)
Provision for Retirement Benefit Obligations	21	8,792,487	10,460,563
Operating Profit / (Loss) Before Working Capital Changes		110,191,781	207,382,847
(Increase)/ Decrease in Inventories	11	4,364,043	2,202,224
(Increase)/ Decrease in Trade and Other Receivables	12	125,976,935	(206,230,817)
(Increase)/ Decrease in Other Non Financial Assets	14	(18,505,126)	1,190,996
(Increase)/ Decrease in Amounts Due from Related Parties	15.3	774,276	12,788,668
Increase / (Decrease) in Trade and Other Payables	19	(29,389,915)	18,491,494
Increase / (Decrease) in Amounts Due to Related Parties	20	(1,607,972)	1,246,768
Cash Generated from Operations		191,804,023	37,072,181
Income Tax Paid		(530,294)	(4,120,320)
Finance Costs Paid		(141,481)	(570,914)
Retirement Benefit Costs Paid	21	(1,718,865)	(6,774,146)
Net Cash From/(Used in) Operating Activities		189,413,383	25,606,801
Cash Flows from/(Used in) Investing Activities			
Acquisition of Property, Plant & Equipments	9	(59,990,147)	(70,735,307)
Investments (Made)/Withdrawal in Fixed Deposits		(14,932,911)	80,221,594
Interest Received		18,139,630	74,157,066
Proceeds on disposal of Property, Plant & Equipments		375,425	5,109,565
Net Cash Flows Used in Investing Activities		(56,408,003)	88,752,918
Cash Flows from / (Used in) Financing Activities			
Repayment of Interest Bearing Loans & Borrowings	22.1	-	(15,997,999)
Lease Rent Payments	24.1	(4,920,000)	(4,920,000)
Net Cash Flows from / (Used in) Financing Activities		(4,920,000)	(20,917,999)
Net Increase/(Decrease) in Cash and Cash Equivalents		128,085,380	93,441,720
Effect of Exchange Rate Changes on Cash and Cash Equivalents		5,007,320	(11,001,808)
Cash and Cash Equivalents at the Beginning of the Year	16	165,888,092	83,448,180
Cash and Cash Equivalents at the End of the Year	16	298,980,792	165,888,092

The Accounting Policies and Notes on Pages 54 Through 87 form an Integral Part of the Financial Statements.

Notes to the Financial Statement

1. CORPORATE INFORMATION

1.1 General

Royal Palms Beach Hotels PLC ("Company") is a PLC limited liability company incorporated and domiciled in Sri Lanka. The registered office of the Company is located at No. 236 Galle Road, Colombo 03, and the principal place of business is situated at St. Abrew's Drive Road, Waskaduwa, Kalutara North.

1.2 Principal Activities and Nature of Operations

The principal activity of the Company was hoteliering.

1.3 Parent Enterprise and Ultimate Parent Enterprise

The Company does not have an identifiable parent of its own.

1.4 Date of Authorization for Issue

The financial statements of Royal Palms Beach Hotels PLC for the year ended 31 March 2025 were authorized for issue in accordance with a resolution of the Board of Directors on 15 August 2025.

2. STATEMENT OF COMPLIANCE

The Financial Statements which comprise the Income Statement, Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, and Cash Flows statement, together with the accounting policies and notes have been prepared in accordance with Sri Lanka Accounting Standards (SLFRS/LKAS) as issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and the requirement of the Companies Act No. 7 of 2007.

2.1 BASIS OF PREPARATION

2.1.1 Basis of Measurement

The Financial Statements have been prepared on a historical cost basis except for Freehold Land and building and Financial Instruments at amortized cost that have been measured at fair value. The preparation and presentation of these Financial Statements are in compliance with the Companies Act No. 07 of 2007.

2.1.2 Comparative Information

The presentation and classification of the financial statements of the previous year has been amended, where relevant for better presentation and to be comparable with those of the current year.

2.1.3 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 treated immaterial as permitted by the Sri Lanka Accounting Standard - LKAS 1 on 'Presentation of Financial Statements'. Understandability of the Financial Statements is not compromised by obscuring material information with immaterial information or by aggregating material items that have different natures or functions. Notes to the Financial Statements are presented in a systematic manner that ensures the understandability and comparability of Financial Statements.

2.1.4 Offsetting

Assets and liabilities or income and expenses are not set off unless required or permitted by a Sri Lanka Accounting Standard.

2.1.5 Changes in Accounting Policies

The accounting policies adopted by the company are consistent with those of the previous financial year.

2.2 Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Financial Statements of the Company in conformity with Sri Lanka Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Judgements and estimates are based on historical experience and other factors, including expectations that are believed to be reasonable under the circumstances. Hence actual experience and results may differ from these judgements and estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period and any future periods.

Judgments

In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the Financial Statements.

Going Concern

The directors have made an assessment of the company's ability to continue in business for the foreseeable future. Therefore, the financial statements are continued to be prepared in a Going Concern Basis.

Critical Accounting Estimates and Assumptions

The financial statements are sensitive to assumptions and estimates made in measuring certain carrying amounts

represented in the Statement of Financial Position and amounts charged to the Statement of profit or loss. These could result in a significant risk of causing material adjustments to the carrying amounts of assets and liabilities which are disclosed in the relevant Notes to the Financial Statements.

Fair Value of Property, Plant & Equipment:

The Land and Building of the company are reflected at fair value. Land and Building are valued by reference to market based evidence, using comparable prices adjusted for specific market factors such as nature, location and condition of Land and Building, with the assistance of an independent professional valuer.

Valuations are performed frequently enough to ensure that the fair value of a revalued land does not differ materially from its carrying amount. To determine the frequency of valuations, the management uses its judgement supported by the advice of an independent professional valuer. Further details are given in Note 9.

Components of Buildings:

In determining the depreciation expense, the Company with the assistance of an independent professional valuer determined the components of buildings that have varying useful lives. Approximation techniques and appropriate groupings were used in such determination as well as in the assessment of the useful lives of each component.

De-recognition of Property Plant & Equipments subject to refurbishments:

In order to comply with the LKAS 16 - Property Plant & Equipment, the Company determined the cost of

derecognised assets based on the quantity surveyor's valuation.

Impairment of Trade Debtors:

The Company reviews at each reporting date all receivables to assess whether an allowance should be recorded in the statement of profit or loss. The Management uses judgment in estimating such amounts in the light of the duration of outstanding and any other factors management is aware of, that indicate uncertainty in recovery. Further details are given in Note 12.

Defined Benefit Plans:

The Defined Benefit Obligation and the related charge for the year are determined using actuarial valuations. Actuarial valuations involve making assumptions about discount rates, future salary increases, mortality rates etc. Due to the long term nature of such obligations these estimates are subject to significant uncertainty. Further details are given in Note 24.

Useful lives of Property, Plant & Equipment:

The company reviews the residual values, useful lives and methods of depreciation of Property, Plant & Equipment at each reporting date. Judgement of the management is exercised estimation of these values, rates, methods and hence they are subject to uncertainty.

Useful life of Intangible Asset:

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.

Leases – Estimating the incremental borrowing rate

The company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR)

to measure lease liabilities. The IBR is the rate of interest that the company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease.

2.3 Summary Of Significant Accounting Policies

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.3.1 Foreign currencies

The Financial Statements are presented in Sri Lanka Rupees, which is also the Company's functional currency. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction.

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 translation of monetary items are recognised in the profit and loss. 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.

2.3.2 Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably

Notes to the Financial Statement

measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Company has concluded that it is acting as a principal in all of its revenue arrangements.

The following specific recognition criteria must also be met before revenue is recognized.

a) Room Revenue

Revenue is recognized on the rooms occupied on daily basis.

b) Food & Beverage Revenue

Food & Beverage Revenue is accounted at the time of sale.

c) Other Hotel Related Revenue

Other Hotel Related Revenue is accounted when such service is rendered.

d) Interest

Interest Income is recognized on a time proportion basis that takes in to account the effective yield.

e) Others

Other income is recognised on an accrual basis.

Net gains and losses of a revenue nature on the disposal of Property, Plant & Equipment has been accounted for in the Statement of income, having deducted from proceeds on disposal, the carrying amount of the assets and related selling expenses.

Gains and losses arising from incidental activities to main revenue generating activities and those

arising from a group of similar transactions which are not material, are aggregated, reported and presented on a net basis.

f) SLFRS 15 Revenue from Contracts with Customers

SLFRS 15 established a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. SLFRS 15 required the Company to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers.

The Company carried out an impact analysis of the possible impact from adoption of the SLFRS 15 across all the services offered by the Hotel. The key aspects covered are as follows.

Identified all the goods or services, or contract deliverables, which have been promised within usual course of carrying out services of the Hotel. In determining this, the management looked at implicitly or explicitly promised services including customary business practices or policies of the hotel. Having considered the same, hotel then determined that in all principle services rendered, there was one distinct performance obligation rather than many.

In connection with contracts with travel agents, tour operators, on-line travel agents, corporate customers and free-individual-travelers, the company identified certain principal vs 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). In particular, certain on-line travel agent agreements had terms indicative that the Hotel was in fact the principal, while in certain other circumstances, considerations that were suggestive of agency considerations were present. Company does not have any outsourced other hotel related services. Accordingly, this aspect of principal versus agent did not result in material changes to the reported figures, despite the analysis and effort carried out by the Company.

2.3.3 Expenditure Recognition

- a) Expenses are recognised in the income statement on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the Property, Plant and Equipment in a state of efficiency has been charged to income in arriving at the profit for the year.
- b) For the purpose of presentation of income statement the directors are of the opinion that function of expenses method presents fairly the elements of the Company's performances, hence such presentation method is adopted.

2.3.4 Taxation

a) 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 taxation authorities. The tax rates and tax laws used to compute the

amount are those that are enacted or substantively enacted by the reporting date. Companies are liable to tax at the rate of 30%.

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 relevant tax legislations.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss.

b) Sales Tax

Revenues, expenses and assets are recognised net of the amount of sales tax except where the sales tax incurred on a purchase of assets or service is not recoverable from the taxation authorities in which case the sales tax is recognised as a part of the cost of the asset or part of the expense items as applicable and receivables and payables are stated with the amount of sales tax included. The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

c) Deferred Tax

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

Deferred tax assets are recognized for all deductible temporary differences, carry forward of 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 utilized.

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

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

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized 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 income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.3.5 Inventories

Inventories are valued at the lower of cost and net realisable value, after making due allowances for obsolete and slow moving items. Net realisable value is the price at which inventories can be sold in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale.

The cost incurred in bringing inventories to its present location and condition is accounted using the following cost methods:

Food and Beverage	- At purchase cost on weighted average basis.
Other Inventories	- At purchase cost on weighted average basis.
Uniforms	- At purchase cost

2.3.6 Cash and Short-term Deposits

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

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

2.3.7 Property, Plant and Equipment

Property, Plant and Equipment (except for land & Building) is stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing parts of the Property, Plant and Equipment and borrowing costs for long-term construction projects

Notes to the Financial Statement

if the recognition criteria are met. When significant parts of Property, Plant and Equipment are required to be replaced at intervals, the Company recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major refurbishment is performed, its cost is recognised in the carrying amount of the Property, Plant and Equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the income statement as incurred.

Land and Building is measured at fair value less accumulated depreciation on building, less impairment losses. Valuations are performed with sufficient frequency (Once in 3 years) to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

A revaluation surplus is recognized in other comprehensive income and credited to the revaluation reserve in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognized in the Statement of income, in which case the increase is recognized in the Statement of income. A revaluation deficit is recognized in profit or loss, except to the extent that it offsets an existing surplus on the same asset recognized in the asset revaluation reserve.

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

An annual transfer from the asset revaluation reserve to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the assets and depreciation based on the assets original cost.

An item of Property, Plant and Equipment is derecognized 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 income when the asset is derecognized.

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

Depreciation is calculated on a straight line basis over the useful lives of the assets.

The useful lives of the assets are estimated as follows;

	2025	2024
Buildings and building integrals	20 – 70 years	20 – 70 years
Motor Vehicles	5- 10 Years	5- 10 Years
Kitchen Equipment	20 Years	20 Years
Furniture and Fittings	20 Years	20 Years
Office Equipment	20 Years	20 Years
Recreational Equipment	10 Years	10 Years
Hotel Equipment	5-20 Years	5-20 Years
Air Condition and Ventilation	10 Years	10 Years
Computer Equipment	5 Years	5 Years
Linen & Furnishing	1-3 Years	1-3 Years
Cutlery, Crockery & Glassware	1-3 Years	1-3 Years
Solar Water Heater System	10 Years	10 Years

Depreciation of an asset begin when it is available for use that is when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Capital Work-in-Progress

Capital work-in-progress is stated at cost. These are expenses of a capital nature directly incurred in the construction of buildings, major plant and machinery, awaiting capitalisation.

2.3.8 Financial Assets and Liabilities

Initial recognition of Financial Assets and Financial Liabilities

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

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

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

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

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 derecognised, modified or impaired.

The company's financial assets at amortised cost includes following,

Trade receivables and other current financial assets are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are classified and measured as Debt instruments at amortised cost.

Equity investments in non-listed companies are classified and measured as Equity instruments designated at fair value through OCI. The Company elected to classify irrevocably its non-listed equity investments under this category at the date of initial application as equity instrument fair value through OCI, since it intends to hold these investments for the foreseeable future. There were no impairment losses recognised in profit or loss for these investments in prior periods.

Debt instrument at Fair Value through OCI

A debt instrument is measured at FVOCI only if it meets both of the following conditions:

- » The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets;

And

- » The contractual terms of the financial assets give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amounts outstanding.

FVOCI debt instruments are subsequently measured at fair value

with gains or losses arising due to changes in fair value recognised in OCI. Interest income and foreign exchange gains and losses and ECL and reversals are recognised in profit or loss. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss.

Derecognition of financial assets

A financial asset is primarily derecognised when:

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

Or

- » 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.

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 which includes trade receivables.

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

Notes to the Financial Statement

losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, 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 appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The financial liabilities of the Company include loans and borrowings, Trade and other payables and Amount due to related parties.

Subsequent Measurement

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

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

The Company does not have any Financial liabilities at fair value through profit or loss.

Financial liabilities at amortised cost (loans and borrowings)

This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss. This category generally applies to interest-bearing loans and borrowings.

Derecognition of financial liabilities

The Company may remove a financial liability (or a part of a financial liability) from its statement of financial position when, and only when, it is extinguished—i.e. when the obligation specified in the contract is discharged or cancelled or expires.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, shall be recognised in profit or loss.

A gain or loss on a financial liability that is measured at amortised cost and is not part of a hedging relationship be recognised in profit or loss when the financial liability is derecognised and through the amortisation process.

2.3.9 Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are

carried at cost less accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, except capitalized development costs, are not capitalized and expenditure is recognized in the income statement when it is incurred.

The Company's intangible assets include the value of computer software. An intangible asset is recognized only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Company. Amortisation is calculated using the straight-line method to write down the cost of intangible assets to their residual values over their estimated useful lives as follows:

Computer software 5 years

Intangible assets with finite lives are assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with finite useful lives are 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 amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of income in the expense category consistent with the function of the intangible assets.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the

asset and are recognised in the income statement when the asset is derecognised.

2.3.10 Provisions

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

2.3.11 Capital Commitments and Contingencies

Capital commitments and contingent liabilities of the company are disclosed in Note No. 23 & 25.

2.3.12 Retirement Benefit Obligations

a) **Defined Benefit Plans – Gratuity**
A defined benefit plan is a post – employment benefit plan other than a defined contribution plan.

The Company measures the present value of the promised retirement benefits of gratuity, which is a defined benefit plan with the advice of an independent professional actuary once in every year using the Projected Unit Credit method. Actuarial gains and losses are recognized in full in the period in which they occur in Other Comprehensive Income and current service cost and interest costs at the income statement.

The present value of the defined benefit obligation depends on

a number of factors that are determined on an actuarial basis using a number of assumptions. Key assumptions used in determining the defined retirement benefit obligation are given in Note 21. Any changes in these assumptions will impact the carrying amount of defined benefit obligation.

Provision has been made for retirement gratuities from the first year of service for all employees, in conformity with LKAS 19 on “Employee benefits’ However, under the payment of gratuity act no 12 of 1983, the liability to an employee rises only on completion of 5 years of continued service.

The gratuity liability is not externally funded.

b) **Defined Contribution Plans – Employees’ Provident Fund & 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.

2.3.13 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 such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset’s recoverable amount. An asset’s recoverable amount is the higher of an asset’s or cash-generating unit’s 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 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, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

Impairment losses of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to equity. In this case the impairment is also recognised in equity up to the amount of any previous revaluation.

For assets, 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 makes an estimate of the recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset’s recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior

Notes to the Financial Statement

years. Such reversal is recognised in the Statement of profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

2.3.14 Leases

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

The Company recognises a right-of-use asset representing the right to use the underlying asset and a lease liability at the lease commencement date.

2.3.14.1 Right-of-use Asset

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

2.3.14.2 Depreciation

Right of use assets are depreciated using the straight-line method over the shorter of the lease term and the estimated useful life of the underlying asset.

If the ownership of the leased asset transfers to the Company at the end of the lease term, or the cost of the right of use asset reflects the exercise a purchase option, the asset is depreciated over the useful life of the underlying asset.

The right of use assets are subject to impairment.

2.3.14.3 Lease Liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, on initial application the Company used the incremental borrowing rate as the discount rate to determine the lease liability.

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

The lease liability is measured at amortised cost using the effective interest method. After the commencement date, the Company measures the lease liability by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments made and remeasuring the carrying amount to reflect any modification, a change in the lease term, a change in the lease payments or a change in the assessment of an option to purchase the underlying asset.

2.3.14.4 Short-term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the term of the lease or any other basis more representative of the time pattern of the benefits derived from the lease.

2.3.14.5 Presentation in the Statement of Financial Position

The Company presents right-of-use assets separately from other assets and lease liabilities separately from other liabilities in its 'statement of financial position.

2.3.14.6 Dividend Distributions

The Company recognizes a liability to make cash or non-cash distributions to owners of equity when the distribution is authorized and is no longer at the discretion of the Company. A corresponding amount is recognized directly in equity.

Non-cash distributions are measured at the fair value of the assets to be distributed. Upon settlement of the distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognized in income as a separate line in statement of comprehensive income.

2.4 New Accounting Standard Issued but not yet effective as at Reporting Date

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

Lack of exchangeability – Amendments to LKAS 21

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

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

The amendments will be effective for annual reporting periods beginning on or after 01 January 2025. Early adoption is permitted but will need to be disclosed. When applying the amendments, an entity cannot restate comparative information.

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

Notes to the Financial Statement

Year ended 31 March 2025

3. REVENUE

	2025	2024
	Rs.	Rs.
Room Revenue	286,806,733	386,054,877
Food and Beverage Revenue	624,083,630	657,150,906
Other Hotel Related Revenue	44,955,015	49,111,293
	955,845,378	1,092,317,076

4. OTHER INCOME & GAINS

	2025	2024
	Rs.	Rs.
Exchange Gain / (Loss)	(12,401,107)	(13,288,596)
Profit from Disposal of Property, Plant & Equipment	-	5,024,291
Income from Staff Meals	134,531	138,776
	(12,266,576)	(8,125,531)

5. PROFIT BEFORE TAXATION

	2025	2024
	Rs.	Rs.
Stated After Charging / (Crediting)		
Depreciation	73,255,933	70,126,803
Amortisation of Intangible Assets	12,996	12,996
Auditors' Remuneration (Fees & Expenses)	676,500	615,000
Operation and Marketing Fee - Related Party	36,884,350	41,750,635
Staff Costs		
-Wages and Salaries	170,419,413	144,129,143
-Cost of Meals	35,956,320	35,931,394
-Defined Benefit Plan Costs - Gratuity	8,792,488	10,460,563
-Defined Contribution Plan Costs - EPF & ETF	19,639,444	16,845,101
Donations / CSR	-	125,975
Directors' Fee	545,000	1,170,000
Marketing and Promotional Fee	14,400,805	9,259,586
Power and Energy Expenditures	82,764,636	122,891,749
Repair and Maintenance Expenditures	65,852,471	77,001,448
(Profit) / Loss on Disposal of Property, Plant & Equipments	1,568,737	(5,024,291)
Social Security Contribution Levy	12,991,272	11,949,847
Surplus/(Deficit) on Year End Foreign Currency Conversion	(12,401,107)	(13,288,596)

6. NET FINANCE INCOME/(EXPENSES)

	2025 Rs.	2024 Rs.
6.1 Interest Income - Related Party	2,633,584	30,447,500
Interest Income - Other	10,538,559	8,524,395
	13,172,143	38,971,895
6.2 Interest on Bank Overdrafts	(141,481)	(224,533)
Interest Expense on Term Loans	-	(346,381)
Interest Charge on Lease Liabilities	(1,926,004)	(2,319,660)
	(2,067,485)	(2,890,574)
	11,104,658	36,081,321

7. EARNINGS PER SHARE

Basic Earnings Per Share is Calculated by Dividing the Net Profit for the Year Attributable to Ordinary Shareholders by the Weighted Average Number of Ordinary Shares Outstanding During the Year. The Weighted Average Number of Ordinary Shares Outstanding During the Year and the Previous Year are Adjusted for Events that have Changed the Number of Ordinary Shares Outstanding.

The Following Reflects the Income and Share Data Used in the Basic Earnings Per Share Computations.

	2025 Rs.	2024 Rs.
Amount Used as the Numerator:		
Net Profit for the Period	16,055,869	169,081,029
Net Profit Attributable to Ordinary Shareholders for Basic Earnings Per Share	16,055,869	169,081,029
Number of Ordinary Shares Used as Denominator	Number	Number
Weighted Average Number of Ordinary Shares Applicable to Basic Earnings Per Share	50,000,000	50,000,000
Earnings Per Share	0.32	3.38

Notes to the Financial Statement

Year ended 31 March 2025

8. INCOME TAX

The Major Components of Income Tax Expense for the Year Ended 31 March are as Follows:

The Company has used the new tax rate introduced in the Inland Revenue (Amendment) Act No. 45 of 2022 certified on 19th December 2022, (with retrospective effect from 01st October 2022) for income and deferred taxation. The rate 30% has been used for Income and Deferred Tax in 2024. The resultant impact has been recognised in the Statement of Profit or Loss and Other Comprehensive Income.

Income Statement	2025 Rs.	2024 Rs.
Current Income Tax		
Current Income Tax charge	22,412,103	-
Under/(Over) Provision of Current Taxes in Respect of Prior Years	2,405,305	-
	24,817,408	-
Deferred Income Tax		
Deferred Taxation Charge/(Reversal) (Note 8.2)		
Recognition of Deferred Tax on Temporary Differences	(6,958,527)	(4,358,506)
Recognition of Deferred Tax on Income Tax Rate Change	-	-
	(6,958,527)	(4,358,506)
Income Tax Expense Reported in the Income Statement	17,858,881	(4,358,506)
Statement of Changes in Equity		
Deferred Income Tax Related to Items Charged or Credited Directly to Equity :		
Recognition of Deferred Tax on Temporary Differences	622,234	760,825
Revaluation of Land and Buildings to Fair Value	(94,444,009)	7,257,173
Income Tax Expense Reported in Equity	(93,821,775)	8,017,998

8.1 A Reconciliation Between Tax Expense and the Product of Accounting Profit Multiplied by the Statutory Tax Rate is as Follows :

	2025 Rs.	2024 Rs.
Accounting Profit /(Loss) Before Tax	33,914,750	164,722,523
Disallowable Expenses	88,732,734	95,790,043
Allowable Expenses	(58,326,549)	(96,539,196)
	64,320,935	163,973,370
Assessable Income From Investment	10,386,076	-
Applicable Tax Rate	30%	30%
Current Tax Charge	22,412,103	-

8.2 Deferred Tax Assets , Liabilities

	2025 Rs.	2024 Rs.
Deferred Tax Liabilities	772,563,098	683,531,010
Deferred Tax Assets	(18,491,142)	(16,322,302)
Net Deferred Tax Liabilities	754,071,956	667,208,708

Deferred Taxation Charge/(Reversal) - Statement of Profit or Loss /Other Comprehensive Income

	Statement of Financial Position		Income Statement		Statement of Other Comprehensive Income	
	2025 Rs.	2024 Rs.	2025 Rs.	2024 Rs.	2025 Rs.	2024 Rs.
Deferred Tax Liabilities						
Revalued Land and Buildings	721,903,793	631,386,306	(3,110,220)	(1,945,895)	93,627,707	(7,257,173)
Capital allowances for Tax Purposes	49,762,625	52,064,326	(2,301,701)	(550,520)	-	-
Investment in Unquoted Investment	896,680	80,378	-	-	816,302	4
	772,563,098	683,531,010	(5,411,921)	(2,496,415)	94,444,009	(7,257,169)
Deferred Tax Assets						
Defined Benefit Plans - Recognised through Income Statement	(16,440,416)	(13,696,095)	(2,122,087)	(1,105,925)	(622,234)	(760,825)
Right of Use Assets - Recognised through Income Statement	(531,477)	(480,003)	(51,474)	(402,644)	-	-
General Provisions -						
Allowances for Doubtful Receivables	(189,680)	(1,037,060)	847,380	25,145	-	-
Allowances for Obsolete Inventories	(1,329,569)	(1,109,144)	(220,425)	(378,667)	-	-
	(18,491,142)	(16,322,302)				
			(1,546,606)	(1,862,091)	(622,234)	(760,825)
Deferred Tax Charge to the Income Statement			(6,958,527)	(4,358,506)		
Deferred Tax Charge to Other Comprehensive Income					93,821,775	(8,017,994)
Deferred Tax Assets/ Liability	754,071,956	667,208,708				

Notes to the Financial Statement

Year ended 31 March 2025

9. PROPERTY, PLANT AND EQUIPMENTS

9.1 Gross Carrying Amounts

	Balance As At 01.04.2024	Additions	Revaluations	Disposals / Derecognition	Transfers on revaluation	Balance As At 31.03.2025
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
At Cost or Valuation						
Freehold Land	743,964,000	-	226,036,000	-	-	970,000,000
Buildings on Freehold Land	1,562,214,999	16,575,190	110,546,655	(721,181)	(118,615,663)	1,570,000,000
Motor Vehicles	25,050,823	-	-	-	-	25,050,823
Kitchen Equipments	60,218,366	8,570,603	-	(711,056)	-	68,077,913
Furniture and Fittings	128,332,984	831,939	-	(117,193)	-	129,047,730
Office Equipments	2,073,442	-	-	-	-	2,073,442
Recreational Equipments	7,729,871	-	-	-	-	7,729,871
Hotel Equipments	207,090,047	25,203,946	-	(5,713,000)	-	226,580,993
Air Condition & Ventilation Systems	54,976,205	1,170,095	-	-	-	56,146,300
Solar Water Heater Systems	4,262,028	-	-	-	-	4,262,028
Computer Equipments	15,009,398	485,500	-	(18,438)	-	15,476,460
Linen & Furnishing	43,299,824	5,060,418	-	(3,475,470)	-	44,884,772
Cutlery, Crockery & Glasswares	10,442,010	2,092,456	-	(1,236,322)	-	11,298,144
Gross Carrying Amounts	2,864,663,997	59,990,147	336,582,655	(11,992,660)	(118,615,663)	3,130,628,476

9.2 Depreciation

	Balance As At 01.04.2024	Charge For the Year	Disposals / Derecognition	Transfers on revaluation	Balance As at 31.03.2025
	Rs.	Rs.	Rs.	Rs.	Rs.
At Cost or Valuation					
Buildings on freehold land	79,013,860	39,737,024	(135,221)	(118,615,663)	-
Motor Vehicles	23,965,774	1,085,049	-	-	25,050,823
Kitchen Equipments	32,819,525	2,729,243	(637,188)	-	34,911,580
Furniture and Fittings	74,707,362	6,060,893	(117,193)	-	80,651,062
Office Equipments	1,181,311	80,213	-	-	1,261,524
Recreational Equipments	7,306,055	91,167	-	-	7,397,222
Hotel Equipments	92,857,615	10,510,871	(3,842,706)	-	99,525,780
Air Condition & Ventilation Systems	47,886,594	1,900,584	-	-	49,787,178
Solar Water Heater Systems	3,338,593	426,203	-	-	3,764,796
Computer Equipments	12,361,623	768,071	(18,438)	-	13,111,256
Linen & Furnishing	29,395,665	7,887,915	(3,475,470)	-	33,808,110
Cutlery, Crockery & Glasswares	6,925,644	1,978,700	(1,236,322)	-	7,668,022
Total Depreciation	411,759,621	73,255,933	(9,462,538)	(118,615,663)	356,937,353

9.3 Net Book Values

At Cost or Valuation	2025 Rs.	2024 Rs.
Freehold Land	970,000,000	743,964,000
Buildings on Freehold Land	1,570,000,000	1,483,201,139
Motor Vehicles	-	1,085,049
Kitchen Equipments	33,166,333	27,398,841
Furniture and Fittings	48,396,668	53,625,622
Office Equipments	811,918	892,131
Recreational Equipments	332,649	423,816
Hotel Equipments	127,055,213	114,232,432
Air Condition & Ventilation Systems	6,359,122	7,089,611
Solar Water Heater Systems	497,232	923,435
Computer Equipments	2,365,204	2,647,775
Linen & Furnishing	11,076,662	13,904,159
Cutlery, Crockery & Glasswares	3,630,122	3,516,366
Total Net Carrying Amount of Property, Plant & Equipments	2,773,691,123	2,452,904,376

9.4

- a) Land and Building is measured at fair value less depreciation on building, less impairment losses. Valuations are performed with sufficient frequency (Once in 03 years). The fair value of land and buildings was determined by means of a revaluation during the financial year 2024/2025 by Messrs. E.G Jayatissa an independent valuer based on market based evidence and depreciated replacement cost method. The results of such evaluation were incorporated in these Financial Statements from its effective date which is 31 March 2025. The surplus arising from the revaluation net of deferred taxes was transferred to a revaluation reserves.
- b) 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	Cumulative Depreciation If Assets were at Cost	Net Carrying Amount 2025	Net Carrying Amount 2024
	Rs.	Rs.	Rs.	Rs.
Freehold Land	98,203,611	-	98,203,611	98,203,611
Buildings on Freehold Land	795,731,333	232,492,237	563,239,096	562,538,201
	893,934,944	232,492,237	661,442,707	660,741,812

9.5 During the Financial Year, the Company Acquired Property, Plant & Equipment to the Aggregate Value of Rs. 59,990,147/- (2024 -Rs. 70,735,307/-) for cash consideration.

9.6 Property, Plant & Equipment includes fully depreciated assets which are still in use having a gross carrying amount of Rs 146,936,207/- (2024- Rs.122,051,554/-).

9.7 With Effect from 1 April 2012, the Company Reviewed the Useful Life of Each Significant Component of Buildings. In the Review Process, the Company has taken the assistance of an Independent Professional Valuer. Accordingly, Depreciation was Calculated for the year ended 31 March 2025 using a Straight Line Method for each Individual Significant Component of Building.

Notes to the Financial Statement

Year ended 31 March 2025

Components Included in Buildings and Building Integrals:

» Buildings Superstructure	70 Years
» Bathroom Fittings	25 Years
» Roof	40 Years
» Flooring	25 Years
» Elevators	20 Years
» Gazebo Hut	50 Years

10. INTANGIBLE ASSETS

	Computer Software	
	2025 Rs.	2024 Rs.
10.1 Cost		
As at the Beginning of the Year	6,366,406	6,366,406
Incurrd During the Year	-	-
As at the End of the Year	6,366,406	6,366,406
10.2 Amortisation		
As at the Beginning of the Year	6,329,568	6,316,572
Amortised During the Year	12,996	12,996
As at the End of the Year	6,342,564	6,329,568
10.3 Net Book Value		
As at the Beginning of the Year	36,838	49,834
As at the End of the Year	23,842	36,838

11. INVENTORIES

	2025 Rs.	2024 Rs.
Food and Beverage Inventories	15,534,730	18,567,884
Housekeeping and General Inventories	4,257,851	4,541,433
Uniforms	4,935,637	4,467,477
Others Consumables	10,784,964	11,565,683
	35,513,182	39,142,477
Less: Allowances for Obsolete Inventories	(4,431,895)	(3,697,147)
	31,081,287	35,445,330

12. TRADE AND OTHER RECEIVABLES

	2025 Rs.	2024 Rs.
Trade Receivables - Related Party (Note 12.1)	34,121,221	106,407,560
- Other	256,235,129	320,650,672
Less : Allowances for Doubtful Trade Receivables (Note 12.2)	(632,267)	(3,456,865)
	289,724,083	423,601,367
Other Receivables	3,904,930	1,337,307
Loans to Company Officers	864,138	538,732
	294,493,151	425,477,406

12.1 Trade Due From Related Parties

Name of the Company	Relationship	2025 Rs.	2024 Rs.
Tangerine Tours (Pvt) Limited	Other Related Party	34,121,221	106,407,560
		34,121,221	106,407,560

12.2 Total Allowance for Impairment on Trade Debtors

	2025 Rs.	2024 Rs.
Balance as at Beginning of the Year	3,456,865	3,540,683
Charge/(Reversal) for the Year	(2,824,598)	(83,818)
Balance as at the End of the Year	632,267	3,456,865

13. RIGHT-OF-USE ASSETS

	Right-of-Use Buildings	
	2025 Rs.	2024 Rs.
Movement During the Year		
Cost		
Balance as at Beginning of the Year	20,126,395	20,594,764
Recognition / (Derecognition) of Operating Leases Under SLFRS 16	-	(468,369)
Balance as at the End of the Year	20,126,395	20,126,395
Accumulated Depreciation / Impairment		
Balance as at Beginning of the year	9,610,170	6,444,596
Charge for the Year	3,165,576	3,165,574
Balance as at the End of the Year	12,775,746	9,610,170
Net Book Value		
As at the Beginning of the Year	10,516,225	14,927,082
As at the End of the Year	7,350,649	10,516,225

Notes to the Financial Statement

Year ended 31 March 2025

Details of Right-of-Use Asset Relating to Leased Property

Nature of the Leasing Activity	Location of the Leased Property	Unexpired lease period as at 31.03.2024
Building - 898.44 Sq.Ft.	Colombo 03	4 Year
Building - 1975.25 Sq.Ft.	Kalutara	4 Year

13.1 Sensitivity of Right-of-Use Assets / Lease Liability to Key Assumption

Sensitivity to Discount Rate/ Incremental Borrowing Rates

	ROU Asset Rs.	Lease Liability Rs.
Increased 1%	(113,590)	(494,025)
Decreased -1%	129,590	519,773

14. OTHER NON FINANCIAL ASSETS

	2025 Rs.	2024 Rs.
Prepayments and Advances	33,095,644	15,423,247
Input VAT Receivable	13,731,677	13,731,677
Other Receivables	1,601,059	768,331
	48,428,380	29,923,255

15. OTHER FINANCIAL ASSETS

15.1 Measured at Fair value through OCI

Non Quoted Equity Securities with Related Parties	No. of Shares		Cost	Directors Valuation **	Cost	Directors Valuation **
	2025	2024	2025 Rs.	2025 Rs.	2024 Rs.	2024 Rs.
Fair View Hotel (Pvt) Ltd.- Related Party	1,800,000	1,800,000	18,000,000	21,073,770	18,000,000	18,352,764
Gross Carrying Value of Investments			18,000,000	21,073,770	18,000,000	18,352,764
Total Current Non Quoted Equity Securities				21,073,770		18,352,764

15.1.1 The Company held 3% (2024 - 3%) Shareholding in Fair View Hotel (Pvt) Ltd. The Fair Value of above Unquoted Equity Securities was Determined using Discounted Cash Flow (DCF) Valuation technique, where Significant inputs were not Based on Observable Market Data (Level 3). There were no Share Sales or Purchases During the year. Valuation techniques, Key assumption and the Sensitivity of the Significant inputs to the Fair Value of the Investment are as follows:

Valuation Technique	Significant Unobservable Inputs	Sensitivity of the input to fair value
Discounted cash flow (DCF) method	Long term growth rate 5%	1% increase/(decrease) in the growth rate would result in increase/(decrease) in fair value by Rs.1,906,729 and (Rs.1,495,051) respectively.
	Weighted Average Cost of Capital (WACC) 13%	1% increase/(decrease) in the WACC would result in (decrease)/Increase in fair value by (Rs. 2,563,416) and Rs. 3,345,076 respectively.

Financial Assets Measured at Fair Value through OCI
Investment in Equity Securities- Non-Quoted:

	2025 Rs.	2024 Rs.
Fair View Hotel (Pvt) Ltd.- Related Party		
Fair Value at the Beginning of the Year	18,352,764	18,352,764
Gain Recognised in the Other Comprehensive Income (Note 18.2)	2,721,006	-
Fair Value at the Beginning of the Year	21,073,770	18,352,764

15.2 Measured at Amortized Cost

Short Term Investments - Fixed Deposits

Institute	Relationship	2025 Rs.	2024 Rs.
Fixed Deposits	Mercantile Investments and Finance PLC	10,900,000	37,572,248
Fixed Deposits	Commercial Bank of Ceylon PLC	-	31,876,193
Fixed Deposits	Hatton National Bank PLC	230,067,591	161,553,726
		240,967,591	231,002,167

15.3 Measured at Amortized cost

Other Receivable due from Related Parties

Name of the Company	Relationship	2025 Rs.	2024 Rs.
Tangerine Beach Hotels PLC	Significant Investor	2,648,151	3,032,688
The Nuwara Eliya Hotels Co. PLC	Other Related Party	45,197	434,937
		2,693,348	3,467,625

Notes to the Financial Statement

Year ended 31 March 2025

16. CASH AND BANK BALANCES

	2025 Rs.	2024 Rs.
Cash at Bank and Cash in Hand	361,874,631	223,993,410
	361,874,631	223,993,410
For the Purposes of the Cash Flow Statement, the Year End Cash and Cash Equivalents Comprise the Following:		
Cash and Bank Balances	361,874,631	223,993,410
Bank Overdraft (Note 22)	(62,893,839)	(58,105,318)
	298,980,792	165,888,092

17. STATED CAPITAL

	Number of Shares	Ordinary Shares Rs.
At 31 March 2024	50,000,000	521,583,448
At 31 March 2025	50,000,000	521,583,448

Ordinary Shares

The Holders of Ordinary Shares are Entitled to Receive Dividends as Declared from time to time on the Residue of Profits and are Eligible to Participate in any Surplus Assets in a Winding Up. They are also Entitled to One Vote per Share at Meetings of the Company. There are no other preferences or restrictions on Ordinary Shares.

18. RESERVE

18.1 Revaluation Reserve

	2025 Rs.	2024 Rs.
As at the Beginning of the Year	1,209,150,533	1,201,893,360
Revaluations During the Year	336,582,654	-
Tax Effect on Surplus on Revaluation	(93,627,707)	7,257,173
As at the End of the Year	1,452,105,480	1,209,150,533

18.2 Fair Value Reserve

	2025 Rs.	2024 Rs.
Fair Value Reserve of Financial Assets at FVTOCI		
As at 1st April	272,390	272,390
Gain/(Loss) on Financial Assets at FVOCI (Note 15.1)	2,721,006	-
Deferred Tax Impact	(816,302)	-
As at 31st March	2,177,094	272,390

19. TRADE AND OTHER PAYABLES

	2025 Rs.	2024 Rs.
Financial Liabilities (Note 19.1)	56,268,624	73,338,528
Non Financial Liabilities (Note 19.2)	46,136,091	58,456,102
	102,404,715	131,794,630

19.1 Financial Liabilities

	2025 Rs.	2024 Rs.
Trade Payables	40,975,790	55,733,551
Service Charge Payable	10,337,407	12,227,909
Other Payables	4,955,427	5,377,068
	56,268,624	73,338,528

19.2 Non Financial Liabilities

	2025 Rs.	2024 Rs.
Advanced Received for Reservation	6,194,737	9,506,190
Accrued Expenses	3,172,496	6,511,128
VAT Payable	13,905,481	19,824,207
SSCL Payable	1,473,374	1,379,552
EPF & ETF Payable	2,529,410	2,246,689
TDL Payable	3,808,955	4,401,366
Refundable Deposits	1,000,000	1,000,000
Other Payables	14,051,641	13,586,972
	46,136,093	58,456,104

20. AMOUNTS DUE TO RELATED PARTIES

Name of the Related Party	Relationship	2025 Rs.	2024 Rs.
Security Ceylon (Pvt) Ltd.	Other Related Party	1,239,148	1,256,916
Tangerine Tours (Pvt.) Ltd.	Other Related Party	5,241,488	6,815,805
Mercantile Investments & Finance PLC	Other Related Party	74,826	90,713
		6,555,462	8,163,434

Notes to the Financial Statement

Year ended 31 March 2025

21. EMPLOYEE BENEFIT LIABILITY

	2025 Rs.	2024 Rs.
Balance as at the Beginning of the Year	45,653,650	39,431,150
Charge for the Year (Note 21.1)	10,866,601	12,996,646
Payments During the Year	(1,718,865)	(6,774,146)
Balance as at the End of the Year	54,801,386	45,653,650

21.1 Expenses on Defined Benefit Plan

	2025 Rs.	2024 Rs.
Current Service Cost for the year	3,314,049	2,574,333
Actuarial (Gain) / Loss	2,074,114	2,536,083
Interest Cost for the Year	5,478,438	7,886,230
Past Service Cost	-	-
	10,866,601	12,996,646

21.2 Actuarial Assumptions

	2025	2024
Discount Rate	10%	12%
Salary Increment	9%	10%
Mortality - A 1967/70 Mortality Table issued by the Institute of Actuaries London		
Retirement Age	60 years.	60 years.
Disability Rate	Simple disability rate	

Staff Turnover

The Staff Turn Over Rate Used in the Valuation:

CAT 1 : 14.00% up to age 54 and thereafter zero

CAT 2 : 20.00% up to age 54 and thereafter zero

An Actuarial Valuation of the Gratuity was Carried Out as at 31 March 2025 by Actuarial and Management Consultants (Pvt) Limited, a Firm of Professional Actuaries. The Valuation Method Used by the Actuaries is the "Projected Unit Credit Method", Recommended by LKAS 19 Employee Benefits.

21.3 Sensitivity of Assumptions Employed in Actuary Valuation

The Following Table Demonstrates the Sensitivity to a Reasonably Possible Change in the Key Assumptions Employed with all Other Variables held Constant in the Employment Benefit Liability Measures.

The Sensitivity of the Comprehensive Income Statement and the Statement of Financial Position is the Effect of the Assumed Changes in Discount Rate & Salary Increment Rate on the Profit or Loss & Employment Benefit Obligation for the Year.

31 March 2025	Sensitivity Effect on Comprehensive Income Statement Increase /Reduction in Results for the year	Sensitivity Effect on Employee Benefit Obligation Increase /(Reduction) in the Liability
Increase/ (Decrease) in Discount Rate		
1%	2,158,313	(2,158,313)
-1%	(2,341,947)	2,341,947
Increase/ (Decrease) in Salary Increment		
1%	(2,570,331)	2,570,331
-1%	2,407,527	(2,407,527)
31 March 2024	Sensitivity Effect on Comprehensive Income Statement Increase /Reduction in Results for the year	Sensitivity Effect on Employee Benefit Obligation Increase / (Reduction) in the Liability
Increase/ (Decrease) in Discount Rate		
1%	1,704,285	(1,704,285)
-1%	(1,842,243)	1,842,243
Increase/ (Decrease) in Salary Increment		
1%	(2,044,325)	2,044,325
-1%	1,920,694	(1,920,694)

21.4 Maturity Profile

	2025 Rs.	2024 Rs.
Distribution of Defined Benefit Obligation Over the Future Working Life Time		
Less than or Equal 1 Year	12,225,718	9,888,620
Over 1 Year and Less than or Equal 2 Years	14,251,701	13,777,245
Over 2 Years and Less than or Equal 5 Years	9,690,684	8,556,243
Over 5 Years and Less than or Equal 10 Years	14,802,843	10,590,082
Over 10 years	3,830,440	2,841,460
Total	54,801,386	45,653,650

Notes to the Financial Statement

Year ended 31 March 2025

22. INTEREST BEARING LOANS AND BORROWINGS

Current	2025 Rs.	2024 Rs.
Bank Overdraft	62,893,839	58,105,318
	62,893,839	58,105,318

22.1 Term Loan - Saubagya Covid 19 Loan

	2025 Rs.	2024 Rs.
Balance as at Beginning of the Year	-	15,997,999
Obtained During the Year	-	-
Repayment During the Year	-	(15,997,999)
Balance as at the End of the Year	-	-

23. COMMITMENTS**23.1 Financial Guarantees**

There are no Financial Guarantees Given by the Company as at the Reporting Date.

23.2 Capital Expenditure Commitments

There are no Capital Expenditure Commitments as at the Reporting Date.

24. LEASE LIABILITIES**24.1 Movement of Lease Liabilities**

	2025 Rs.	2024 Rs.
Balance as at the Beginning of the Year	12,116,234	15,184,944
Payment of Lease Liabilities	(4,920,000)	(4,920,000)
Derecognition of Operating Lease Liability (Note 13)	-	(468,369)
Interest Expense	1,926,004	2,319,660
Balance as at the End of the Year	9,122,238	12,116,235
Current Portion of Lease Liabilities		
2025/26 FY Lease Payments	4,920,000	4,920,000
2025/26 FY Lease Interest	(1,474,287)	(1,926,004)
	3,445,713	2,993,996
Non Current Portion of Lease Liabilities	5,676,525	9,122,239

** The Company used 13.90% and 18.29% as Incremental Borrowing Rate

24.2 The Following are the Amount Recognized in Profit or Loss:

	2025 Rs.	2024 Rs.
Depreciation Expenses of Right of Use Assets	3,165,575	3,165,575
Interest Expense on Lease Liability	1,926,004	2,319,660
Total Amount Recognized in Profit and Loss	5,091,579	5,485,235

24.3 Following is the Maturity Lease Liability for Future Periods with Interest Cost

	0-12 Months Rs.	1 to 5 Years Rs.	5 to 10 Years Rs.	Total Rs.
Lease Liability	5,676,525	3,445,713	-	9,122,239

25. CONTINGENCIES

There are no Significant Contingencies as at the Reporting Date.

26. RELATED PARTY DISCLOSURES

Details of Significant Related Party Disclosures are as Follows:

The Following Table Provides the Significant Amount of Transactions, Which have been Entered into With Related Parties for the Relevant Financial Year.

26.1 Transactions with Related Parties

Transaction with Entities Having Significant Influence Over the Company- Recurring Transactions

Tangerine Beach Hotels PLC - Significant Investor

Nature of Transactions	Terms of Transaction	2025 Rs.	2024 Rs.
As at the Beginning of the Year		3,032,688	15,804,673
Staff Quarters Rent	Market Terms	(3,120,000)	(3,120,000)
Swerage Treatment Plant rent	Market Terms	(3,529,928)	(4,252,481)
Laundry Charges	Market Terms	27,707,160	26,339,922
Water Bottles	Market Terms	(347,499)	-
Goods Transfer	At Cost	1,394,724	1,333,652
Reimbursement of Expenses - (Net)		(3,846,427)	(2,020,860)
Funds Transfers for Settlements		(18,642,567)	(31,052,218)
Balance as at 31st March		2,648,151	3,032,688

26.2 Transactions with Key Management Personnel

Key Management Personnel (KMPs) are Defined as Those Persons having Authority and Responsibility for Planning, Directing and Controlling the Activities of the Company. The Key Management Personnel of the Company are the Board of Directors of the Company and Personnel Holding the Designation General Manager and Above. Transactions with Key Management Personnel and Transactions with the Close Family Members (CFMs) of the KMPs, if any, also have been taken into Consideration in the Following Disclosure.

Notes to the Financial Statement

Year ended 31 March 2025

a) Key Management Personnel Compensation

	2025 Rs.	2024 Rs.
Short-Term Post Employment Benefits	13,377,000	12,727,000

26.3 Transaction with Other Related Parties - Recurring Transactions

Transactions with entities that are significantly influenced by Key Management Personnel of the Company:

Some Key Management Personnel of the Company and their Members of the Families Collectively have control Directly or Indirectly in Certain Entities with which the Company Entered into the Transactions, Summarised as Follows:

The Company Carries out Transactions with KMPs & their Close Family Members in the Ordinary Course of its Business on Standard Commercial Terms.

Name of the Related Party	Relationship	Nature of Transactions	Terms of Transactions	Amount		Balance as at 31st March	
				2025 Rs.	2024 Rs.	2025 Rs.	2024 Rs.
Security Ceylon (Pvt) Ltd.	Other Related Company	Security Services	As per Agreement	(16,218,243)	(14,763,736)	(1,239,148)	(1,256,916)
		Security Staff Meals	Market Terms	2,802,891	2,914,289	-	-
		Settlements		13,433,113	11,353,518	-	-
Tangerine Tours (Pvt) Ltd	Other Related Company	Tour Operation	As per Agreement	63,245,248	174,433,732	28,879,733	99,591,755
		Operation & Marketing Fee	As per Agreement	(36,884,350)	(41,750,635)	-	-
		Reimbursement of Expenses		(4,371,504)	(3,439,513)	-	-
		Settlements- Net		(92,701,424)	(86,993,097)	-	-
Mercantile Investments & Finance PLC	Other Related Company	Repairs & Services to Motor Vehicles	Market Terms	-	(1,432,467)	(74,826)	(90,713)
		Head Office Rent	As per Agreement	(1,845,000)	(1,845,000)	-	-
		Reimbursement of Expenses		(1,306,875)	(902,000)	-	-
		Settlements- Net		3,167,762	4,088,755	-	-
		Net Movement of Fixed Deposits Investments	Market Terms	(26,672,248)	(277,567,106)	10,900,000	37,572,248
The Nuwara Eliya Hotels Co. PLC	Other Related Company	Interest Income	Market Terms	2,633,584	30,447,500	-	-
		Reimbursement of Expenses	-	4,104,460	4,996,666	45,197	434,937
		Settlements	-	(4,494,193)	(5,013,348)	-	-

27. GOING CONCERN

The Directors, After Making necessary Inquiries and Reviews including Reviews of the Hotel Budgets for the Ensuing Year. Capital Expenditure Requirements, Future prospects along with Risks, Cash Flows and Borrowing Facilities have a Reasonable Expectation that the Company has adequate Resources to continue in Operational Existence for the Foreseeable Future. Therefore, the Going Concern Basis has been Adopted in the Preparation of the Financial Statements. In Determining the Basis of Preparing the Financial Statements for the Year Ended 31 March 2025, Based on available Information, the Management has Assessed the Existing and anticipated Effects of Current Economic situation on the Company.

28. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

28.1 Carrying amounts and Fair Values of Financial Instruments

Financial Instruments of the Company comprise of Financial Assets and Financial Liabilities. 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 Information Presented herein represents the Determination of Fair Values as at the Reporting Date.

Fair Values of Financial Assets and Financial Liabilities, together with the Carrying amounts in the Statement of Financial position, are as follows:

31 March 2025	Amortized Cost	Fair value through Profit & Loss	Fair value through Other Comprehensive Income	Total Carrying Amount	Fair Value
	Rs.	Rs.	Rs.	Rs.	Rs.
Financial Assets					
Current Assets					
Trade & Other Receivables	294,493,151	-	-	294,493,151	294,493,151
Cash and Short-Term Deposits	602,842,222	-	-	602,842,222	602,842,222
Amounts Due from Related Parties	2,693,348	-	-	2,693,348	2,693,348
	900,028,721	-	-	900,028,721	900,028,721
Non-Current Assets					
Investments	-	-	21,073,770	21,073,770	21,073,770
	-	-	21,073,770	21,073,770	21,073,770
Financial Liabilities					
Current Liabilities					
Trade and Other Payables	102,404,715	-	-	102,404,715	102,404,715
Amounts Due to Related Parties	6,555,462	-	-	6,555,462	6,555,462
Bank Overdrafts	62,893,839	-	-	62,893,839	62,893,839
Interest-bearing Loans and Borrowings	-	-	-	-	-
	171,854,016	-	-	171,854,016	171,854,016
Non-Current Liabilities					
Interest-bearing Loans and Borrowings	-	-	-	-	-
	-	-	-	-	-

Notes to the Financial Statement

Year ended 31 March 2025

31 March 2024	Amortized Cost	Fair value through Profit & Loss	Fair value through Other Comprehensive Income	Total Carrying Amount	Fair Value
	Rs.	Rs.	Rs.	Rs.	Rs.
Financial assets					
<i>Current Assets</i>					
Trade & Other Receivables	425,477,406	-	-	425,477,406	425,477,406
Cash and Short-Term Deposits	454,995,577	-	-	454,995,577	454,995,577
Amounts Due From Related Parties	3,467,625	-	-	3,467,625	3,467,625
	883,940,609	-	-	883,940,609	883,940,609
<i>Non-Current Assets</i>					
Investments	-	-	18,352,764	18,352,764	18,352,764
	-	-	18,352,764	18,352,764	18,352,764
Financial Liabilities					
<i>Current Liabilities</i>					
Trade and other Payables	131,794,630	-	-	131,794,630	131,794,630
Amounts due to Related Parties	8,163,434	-	-	8,163,434	8,163,434
Bank Overdrafts	58,105,318	-	-	58,105,318	58,105,318
Interest-Bearing Loans and Borrowings	-	-	-	-	-
	198,063,382	-	-	198,063,382	198,063,382
<i>Non-Current Liabilities</i>					
Interest-Bearing Loans and Borrowings	-	-	-	-	-
	-	-	-	-	-

28.2 Determination of Fair value and Fair Value Hierarchy

The Company uses the Following hierarchy for Determining and Disclosing the Fair Value of Financial Instruments by Valuation Technique:

Level 1: Quoted (unadjusted) Prices in active Markets for Identical Assets or Liabilities

Level 2: Other Techniques for which all Inputs which have a Significant Effect on the Disclosed Fair Value are Observable, either Directly or Indirectly

Level 3: Techniques Which use Inputs that have a Significant Effect on the Disclosed Fair Value that are not Based on Observable Market Data

28.3 Financial Instruments not Carried at Fair Value

Given Below is a Comparison, by class, of the Carrying amounts and Fair Values of the Company's Financial Instruments that are not carried at Fair value in the Financial Statements. This Table does not Include the Fair Values of Non-Financial Assets and Non-Financial Liabilities.

	2025		2024	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	Rs.	Rs.	Rs.	Rs.
Current Assets				
Trade and Other Receivables	294,493,151	294,493,151	425,477,406	425,477,406
Amounts Due from Related Parties	2,693,348	2,693,348	3,467,625	3,467,625
Short-Term Deposits	240,967,591	240,967,591	231,002,167	231,002,167
Cash at Bank and Cash in Hand	361,874,631	361,874,631	223,993,410	223,993,410
	900,028,721	900,028,721	883,940,607	883,940,607
Current Liabilities				
Trade and Other Payables	102,404,715	102,404,715	131,794,630	131,794,630
Amounts Due to Related Parties	6,555,462	6,555,462	8,163,434	8,163,434
	108,960,177	108,960,177	139,958,063	139,958,063

The Following describes the Methodologies and Assumptions used to Determine Fair Values for those Financial Instruments which are not Recorded at Fair value in the Financial Statements:

For Financial Assets and Financial Liabilities that have a Short Term Maturity (Less than Three Months) it is Assumed that the Carrying amounts Approximate their Fair Value. This Assumption is also applied to Trade and Other Receivables, Amounts due from/to Related Parties, Cash and Bank & Trade and Other Payables without a Specific Maturity.

Interest-Bearing Loans and Borrowings

The Fair Value of Financial Liabilities Does not Significantly vary From the Value Based on the Amortised Cost Methodology

	Level	2025		2024	
		Carrying Value	Fair Value	Carrying Value	Fair Value
		Rs.	Rs.	Rs.	Rs.
Financial Liabilities					
Interest-Bearing Loans and Borrowings (Note 22)	Level 2	62,893,839	62,893,839	58,105,318	58,105,318
		62,893,839	62,893,839	58,105,318	58,105,318

The Following Describes the Methodologies and Assumptions used to Determine Fair values for those Financial Instruments which are not Recorded at Fair value in the Financial Statements:

For Financial Assets and Financial Liabilities that have a Short Term Maturity (Less than Three Months) it is Assumed that the Carrying Amounts Approximate their Fair Value. This Assumption is also applied to Trade and Other Receivables, Cash and Bank, Interest Bearing Loans and Borrowings & Trade and Other Payables without a Specific Maturity.

Notes to the Financial Statement

Year ended 31 March 2025

28.4 Non Financial Assets Disclosed at Fair value

	Method	Date of valuation	Level **	Value (Rs)	Unobservable Inputs	Average Price Per Perch/Sq.ft (Rs)
2025						
Free hold land	Market Approach	31.03.2025	03	970,000,000	Estimated Price per Perch	900,000 / 1,200,000
Buildings	Depreciated Replacement cost Method	31.03.2025	03	1,570,000,000	Estimated Price per Sq.ft	15,000/ 5,500 / 6,250 / 6,000 / 7,000
2024						
Free hold land	Market Approach	31.03.2022	03	743,964,000	Estimated Price per Perch	690,000 / 650,000 / 600,000
Buildings	Depreciated Replacement cost Method	31.03.2022	03	1,483,201,139	Estimated Price per Sq.ft	13,750 / 5,000 / 6,250

** Fair Value Measurement Sensitivity to Unobservable Inputs - Positive Impact to the Fair Value

The valuation was Carried out by a Professionally Qualified Independent Valuer in Compliance with Sri Lanka Accounting Standard - SLFRS 13 (Fair Value Measurement).

29. RISK MANAGEMENT

29.1 Introduction

The Company has Exposure to the Following Risks From its Use of Financial Instruments;

1. Credit Risk
2. Liquidity Risk
3. Market Risk

The Board of Directors has the Overall responsibility for the Establishment and Oversight of the Company's Risk Management Framework, which includes Developing and Monitoring the Company's Risk Management Policies.

The Audit Committee Oversees how Management Monitors Compliance with the Risk Management Policies and Procedures, and Reviews the Adequacy of the Risk Management Framework in Relation to the Risks Faced by it.

29.2 Credit Risk

(a) Introduction

Credit Risk is the Risk of Financial Loss to the Company if a Customer or Counterparty to a Financial Instrument Fails to Meet its Contractual Obligations, and Arises Principally from the Company's Receivables from Customers.

The Maximum Exposure to Credit Risk is Represented by the Carrying Value of Each Financial Asset on the Reporting Date.

(b) The Maximum Exposure to Credit Risk at the Reporting Date

	Note	2025 Rs.	2024 Rs.
Cash and Cash Equivalents	16	361,874,631	223,993,410
Trade and Other Receivables	12	294,493,151	425,477,406
Fixed Deposits	15.2	240,967,591	231,002,167
Amounts Due from Related Parties	15.3	2,693,348	3,467,625
		900,028,720	883,940,608

Expected Credit Loss Assessment

The Company adopted Expected Credit Loss (ECL) approach to Impairment of its Financial Assets. This Enables Better Credit Risk reporting of the Financial Instruments by Carrying reasonably Quantified default Risk adjusted Value of Assets in the Balance Sheet and Minimising the Timing difference in Recognition of Future Default Loss.

The ECL Measurement approach that is best suited for each Class of Asset is Determined Based on the Underlying Risk Characteristics of the Asset. Subsequent to Selection between General and Simplified approaches to Measurement, the Company assesses Financial Assets using Data that is Determined to be Predictive of default Risk, including but not Limited to External Ratings, Historical payment patterns, Audited Financial statements and Cash Flow Projections.

The Company Re-Evaluated its approach to the Measurement of ECL, as the Consequent Unexpected Deterioration in the Credit Quality of Loan Portfolios (Financial Institutions), will have a Significant Impact on the ECL measurement. The Company Considered all Reasonable and Supportable Information Available without Undue Cost or Effort at the Reporting Date as Well as Practical Expedients made Available. Economic Factor Adjustment (EFA) Updated to Reflect in Measuring ECL while Information used for Probability of Default (PD) and Loss Given Default (LGD) were used without Modification Due to Insufficiency of Updated Information relating to Borrowers repayment ability, Resource constraints and various Government relief measures as a result of the Outbreak.

The Company also Assessed its Financial Instruments for Significant Increase in Credit Risk (SICR) with available, Reasonable and supportable Information including Economic support and Relief Measures provided to Counterparties.

(c) The Ageing of the Trade Receivable as at the Reporting Date

	2025 Rs.	2024 Rs.
Gross Receivable		
Not Past Due	18,994,438	47,301,802
Past Due 0-30 Days	104,846,370	150,667,105
Past Due 31-60 Days	87,449,487	109,587,053
Past Due 61-90 Days	62,057,279	101,260,907
Past Due 90-120 Days	10,043,948	8,198,910
Past Due 120-180 Days	3,263,649	4,548,037
More than 180 Days	3,701,179	5,494,418
Total Gross Receivable	290,356,350	427,058,232
Impairment Allowance*		
Allowance for Impairment	(632,267)	(3,456,865)
Carrying Value	289,724,083	423,601,367

Notes to the Financial Statement

Year ended 31 March 2025

Movement in the Impairment Allowance*	2025 Rs.	2024 Rs.
Balances at 1 April	3,456,865	3,540,683
Impairment Recognised	(2,824,598)	(83,818)
Balances at 31 March	632,267	3,456,865

29.3 Liquidity Risk**(a) Introduction**

Liquidity Risk is the Risk that the Company will not be able to meet its Financial Obligations as they Fall due. The Company's approach to Managing Liquidity is to Ensure, as Far as Possible, that it will always have Sufficient Liquidity to Meet its Liabilities When Due, Under Both normal and Stressed Conditions, without incurring Unacceptable Losses or Risking Damage to the Company's Reputation.

(b) The Following Summarises the Maturity Profile of the Company's Financial Liabilities based on Contractual undiscounted Payments:

	Total Rs.	Contractual Maturities of Financial Liabilities			
		Up to 3 Months Rs.	3-12 Months Rs.	1 - 5 Years Rs.	More than 5 Years Rs.
31 March 2025					
Financial Liabilities	56,268,624	56,268,624	-	-	-
Bank Overdraft	62,893,839	62,893,839	-	-	-
Amounts Due to Related Parties	6,555,462	6,555,462	-	-	-
	125,717,925	125,717,925	-	-	-
31 March 2024					
Financial Liabilities	73,338,528	73,338,528	-	-	-
Bank Overdraft	58,105,318	58,105,318	-	-	-
Amounts Due to Related Parties	8,163,434	8,163,434	-	-	-
	139,607,279	139,607,279	-	-	-

(c) Undrawn Committed Borrowing Facilities

There are no Undrawn Borrowing Facilities available to the Company as at the Reporting Date.

30.4 Market Risk**(a) Introduction**

Market Risk is the Risk that the Fair value of Future cash flows of Financial Instruments will Fluctuate due to the Changes in Market Prices. Mainly the Changes in Market Prices, such as Foreign Exchange Rates and Interest Rates will affect the Company's Income or the Value of its holdings of Financial Instruments.

(b) Foreign Currency Risk

The Company is exposed to Foreign Currency risk on Revenue and Receivables and Cash Deposits Denominated in Currencies Other than the Functional Currency of the Company. The Currencies giving rise to this Risk are Primarily US Dollars, Sterling Pounds and Euro. The Company Finance team Closely monitors the Exchange Rate Movement, for necessary action.

The Sri Lankan Rupee is fluctuating against the US Dollar in March 2025 on the back of economic turmoil in global, regional and local markets. The Company exposed to foreign currency denominated payments with local currency

revenues are adversely impacted to undue fluctuations in exchange rates.

If market rate appreciate or depreciate by 20% the effect of the same to the exchange gain/(loss) would be:

Currency	Sensitivity Effect on Comprehensive Income increase/(decrease) in Results for the Year	
	20%	-20%
Euro (€)	101,150,345	(101,150,345)
Dollar (\$)	36,226,374	(36,226,374)
Sterling Pound (£)	2,220,361	(2,220,361)
	139,597,080	(139,597,080)

(c) Interest Rate Risk

Interest Rate Risk is the Risk that the Fair Value or Future Cash Flows of a Financial Instrument will Fluctuate because of Changes in Market Interest Rates. The Company's Borrowing Portfolio Consist with Fixed Rate Borrowings thus Company does not have an Interest Rate Risk as at the reporting Date.

30. CAPITAL MANAGEMENT

The Company's Capital Structure Comprising Share Capital, Reserves and Retained Earnings, as Disclosed in the Statement of Changes in Equity. The Board's Intention is to Maintain a Strong Capital base so as to Maintain Investor, Creditor and Market Confidence and to Sustain future Development of the Business. The Company's Objective for Managing its Capital is to Ensure that Company will be able to Continue as a Going Concern while Maximizing the Return to Shareholders, as well as Sustaining the Future Development of its Business. In order to Maintain or Adjust the Capital Structure, the Company may alter the total amount of Dividends paid to Shareholders, issue New Shares, and Draw down additional Debt.

31. EVENTS OCCURRING AFTER THE REPORTING DATE

There have been no Material Events Occurring After the Reporting Date that Require Adjustments to or Disclosure in the Financial Statements.

Investor Information

Shareholding			No.of Members	Shareholding	%
1	-	1000	1269	190,440	0.38%
1001	-	10000	217	821,808	1.64%
10001	-	100000	93	2,851,172	5.70%
100001	-	1000000	23	6,815,879	13.63%
	>	1000000	9	39,320,701	78.64%
			1611	50,000,000	100.00%

Category	Shareholding	%
Resident	47,344,098	94.69%
Non Resident	2,655,902	5.31%
	50,000,000	100.00%

Category	Shareholding	%
Individuals	14,941,411	29.88%
Corporate	35,058,589	70.12%
	50,000,000	100.00%

Shareholding	
Market Value per share as at 31st March	33.00
Highest Market Value Per Share	43.00
Lowest Market Value Per Share	28.30
Public Holding	14,231,012
No. of Ordinary Shares	28.46
Percentage	

20 Largest Shareholders	2025		2024	
	No. of Shares Held	%	No. of Shares Held	%
Tangerine Beach Hotels PLC	14,202,786	28.41%	14,202,786	28.41%
Mercantile Investments and Finance PLC	8,576,700	17.15%	8,576,700	17.15%
Tangerine Tours (Pvt) Ltd	3,966,289	7.93%	3,966,289	7.93%
Mr. M J Fernando (Deceased)	3,649,403	7.30%	3,649,403	7.30%
The Nuwara Eliya Hotels Co. PLC	2,750,000	5.50%	2,750,000	5.50%
Mr. M U Maniku	2,552,823	5.11%	2,552,823	5.11%
Mr. T J Ondaatjie	1,414,233	2.83%	1,414,233	2.83%
Ms. A M Ondaatjie	1,126,733	2.25%	1,126,733	2.25%
Mr. G G Ondaatjie	1,081,734	2.16%	1,081,734	2.16%
Mercantile Fortunes (Pvt) Ltd	829,870	1.66%	829,870	1.66%
Nilaveli Beach Hotels (Pvt) Ltd	707,375	1.41%	707,375	1.41%
Security Ceylon (Pvt) Ltd	650,000	1.30%	650,000	1.30%
City Properties (Pvt) Ltd	558,428	1.12%	558,428	1.12%
Mrs. K M N Perera	414,542	0.83%	414,542	0.83%
N Vaitilingam & Co. (Pvt) Ltd	362,498	0.72%	362,498	0.72%
Mr. J A S S Adhihetty	299,050	0.60%	299,050	0.60%
Mr. N H V Perera	295,798	0.59%	295,798	0.59%
Mr. D C Fernando	250,000	0.50%	250,000	0.50%
Ceylon Galvernizing Industries Ltd	249,998	0.50%	249,998	0.50%
Renuka Consultants & Services Limited	230,000	0.46%	239,547	0.48%

Ten Years Summary

Year ended 31st March	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
	Rs. ' 000									
Trading Results										
Turnover Net of Tax	955,845	1,092,317	670,853	336,870	150,953	617,604	754,840	656,686	582,319	637,372
Operating profit/(Loss) before interest exp. and other income	35,077	136,767	(72,458)	(94,595)	(180,939)	42,399	128,426	85,520	69,723	144,464
Profit/(Loss) before Taxation	33,915	164,723	5,598	(17,776)	(119,921)	97,006	162,991	133,335	96,744	173,764
Taxation provision	(17,859)	4,359	(112,622)	(4,514)	(8,937)	(27,894)	(36,067)	(45,562)	(10,005)	(25,246)
Profit after taxation on Ordinary activities	16,056	169,081	(107,024)	(22,290)	(128,857)	69,111	126,924	87,773	86,739	148,517
Share Capital & Reserve										
Issued Share Capital	521,583	521,583	521,583	521,583	521,583	521,583	521,583	521,583	521,583	521,583
Revaluation Reserve	1,452,105	1,209,151	1,201,893	1,453,005	1,096,954	1,113,515	1,130,327	962,802	1,034,216	1,032,667
Revenue Reserve	800,543	785,939	619,411	724,386	745,247	856,087	821,090	736,090	691,284	646,207
Fair value Reserve of Financials Assets at FVOCI	2,177	272	272	115						
Total Equity	2,776,409	2,516,946	2,343,160	2,699,089	2,363,785	2,491,186	2,464,001	2,220,475	2,247,084	2,200,457
Assets Employed										
Current Assets	979,538	958,178	761,050	642,329	593,314	695,190	668,997	551,747	465,598	464,102
Current Liabilities	(190,719)	(201,057)	(172,139)	(92,447)	(73,472)	(93,738)	(104,558)	(89,009)	(89,176)	(94,313)
Working Capital	788,820	757,120	588,911	549,882	519,842	601,452	564,419	462,738	376,423	369,789
Non Current Assets	2,802,139	2,481,810	2,485,711	2,524,146	2,171,981	2,197,113	2,198,865	2,018,120	2,034,656	1,992,090
Non- Current Liabilities	(814,550)	(721,985)	(731,462)	(374,940)	(328,038)	(307,379)	(299,283)	(260,382)	(163,994)	(161,421)
	2,776,409	2,516,946	2,343,160	2,699,089	2,363,785	2,491,186	2,464,001	2,220,476	2,247,084	2,200,457
Ratio & Statistics										
Gearing Ratio (Times)	2.27	2.31	2.09	1.48	1.49	0.90	0.92	0.50	0.33	0.00
Current ratio (Times)	5.14	4.77	4.42	6.95	8.08	7.42	6.40	6.20	5.22	4.92
Market Price per Share	33.00	30.00	26.30	16.30	14.30	12.70	16.10	18.00	21.90	30.50
Earnings per Share	0.32	3.38	(2.14)	(0.45)	(2.58)	1.38	2.54	1.76	1.73	2.97
Net assets per Share	55.53	50.34	46.86	53.98	47.28	49.82	49.28	44.41	44.94	44.01
Interest Cover (Times)	17.40	57.79	2.90	(9.17)	(189.48)	302.86	6,101.65	1,081.76	365.13	482.34
Return on Shareholder's Funds(%)	0.58	6.72	(4.57)	(0.83)	(5.45)	2.77	5.15	3.95	3.86	6.75
Return on Total Assets(%)	0.42	4.92	(3.30)	(0.70)	(4.66)	2.39	4.43	3.42	3.47	6.05
Price Earning Ratio	103.13	8.87	(12.29)	(36.22)	5.55	9.19	6.34	10.25	12.62	10.27

Value Added Statement

For the Year ended 31st March	2025	2024
Turnover	955,845,378	1,092,317,075
Less- Cost Of Sales	(673,138,597)	(713,044,943)
Value added	282,706,781	379,272,133
Other Income	905,567	30,846,366
Total Investment Created	283,612,348	410,118,498
Value Added to Employees	170,419,413	144,129,143
Providers of Capital	-	-
To Government	23,881,133	23,615,947
	194,300,546	167,745,089
For Expansion & Growth		
Retained Earnings	16,055,869	169,081,032
Depreciation	73,255,933	73,292,377
	89,311,802	242,373,409
	283,612,348	410,118,498

Real Estate Portfolio

Company & Location	Building in (Sq.Ft.)		No. of Buildings		Land in Acres		Net Book Value	
					Free hold Property		Rs. '000	Rs. '000
	2024/25	2023/24	2024/25	2023/24	2024/25	2023/24	2024/25	2023/24
Royal Palms Beach Hotels PLC No.35, De Abrew Road, Waskaduwa, Kalutara	184,143	184,563	10	11	6.64	6.64	2,540,000	2,227,165

Notice of Meeting

NOTICE IS HEREBY GIVEN that the 33rd Annual General Meeting of Royal Palms Beach Hotels PLC will be held as a virtual meeting on 30th September 2025 at 12.30 p.m. assembled at 236, Galle Road, Colombo 3, to transact the following business.

1. To receive and adopt the Report of the Directors and the Statements of Accounts for the year ended 31st March 2025, with the Report of the Auditors thereon.
2. To re-elect Mr. P S R Casie Chitty who retires in terms of Article 88 (i) of the Articles of Association of the Company.
3. To elect Mr. Ajita de Zoysa, in terms of Section 211 of the Companies Act No.07 of 2007. The Company has received special notice of intention to pass the following resolutions as ordinary resolutions.
“Resolved that the age limit of 70 years referred to in Sections 210 of the Companies Act No.07 of 2007 shall not be applicable to Mr. Ajita de Zoysa who is 81 years of age and whose appointment as a Director of the Company be and is hereby approved and who is elected a Director of the Company notwithstanding the provisions of the said Section 210 of the Companies Act.”
4. To re-elect Ms. P T K Navaratne in terms of Article 95 of the Articles of Association as a Director of the Company.
5. To re-elect Mr. G K Sudath Kumar in terms of Article 95 of the Articles of Association as a Director of the Company.
6. To re-elect Ms. A Nanayakkara in terms of Article 95 of the Articles of Association as a Director of the Company.
7. To re-appoint Messrs. Ernst & Young who are deemed to be re-appointed as Auditors of the Company in terms of Section 158 of the Companies Act No.7 of 2007 and to authorize the Directors to determine their remuneration.
8. To authorize the Directors to determine payments for charitable and other purposes for year 2025/26.

By Order of the Board,
Royal Palms Beach Hotels PLC
Mercantile Investments and Finance PLC
Secretaries

Colombo
15th August 2025

Notes:

A member entitled to attend and vote at the meeting is entitled to appoint a proxy (whether a member or not) to attend and vote instead of him. A form of proxy is enclosed with the Report for this purpose and Shareholders who are unable to attend the meeting in person are requested to kindly complete and return such form of proxy in due time, in accordance with the instructions noted on the form of proxy.

For information on how to participate by virtual means in the above meeting please refer the supplementary notice to shareholders.

Supplementary Notice to Shareholders

Instructions for Registration and Participation at the Virtual Annual General Meeting

ROYAL PALMS BEACH HOTELS PLC
33RD ANNUAL GENERAL MEETING

Dear Shareholder,

The Board of Directors of the Company, having taken into consideration the guidelines issued by Colombo Stock Exchange ("CSE") on holding virtual shareholder meetings through audio/visual means, have decided to hold the Annual General Meeting ("AGM") of the Company as a virtual meeting through audio/visual means using an online platform on 30th September 2025 as per the Notice of Meeting of the AGM.

Please note the following procedure to be adopted in terms of same.

1. Notice of Meeting, Form of Proxy and Form of Registration are enclosed herewith.
2. The AGM will be held in compliance with the principals set out in the Guidelines issued by CSE for hosting of virtual Annual General Meeting.
3. Only the key officials who are essential for the administration of the formalities of the meeting will be physically present at the venue. All registered shareholders/proxy holders are requested to participate via online meeting platform.
4. Shareholders who wish to participate in AGM through audio visual means should forward the duly perfected Registration Form (Annexure 1) to Mercantile Investments and Finance PLC, Secretaries, 236, Galle Road, Colombo 3 or by email to mercantile@mi.com.lk at least 48 hours before the time fixed for the meeting.
5. Adequate arrangements will be made for Shareholders who wish to participate in the AGM via the online meeting platform with log in information being forwarded to shareholders in advance of the meeting upon verification of registration details. Only Shareholders or their duly appointed proxyholders are requested to log in to the virtual meeting platform. It is recommended that Shareholders/Proxy Holders join the AGM at least 15 minutes before the start of the AGM. The digital Platform will be active 30 minutes before the start of the AGM. The Company will not be responsible or liable for misuse and/or unauthorized use of the login information.
6. Shareholders will be given the opportunity to raise any questions or comments on the matters listed on the Agenda for the meeting or forward the questions in advance to the email mercantile@mi.com.lk
7. Voting on items listed on the Agenda will be registered using an online platform. Shareholders/Proxyholders will be briefed on the procedure for voting prior to the commencement of the AGM.

In the event the Company is required to take any further action in relation to the Meeting and/or other 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/or publication on the Company website www.tangerinehotels.com

The Board wishes to thank the Shareholders of the Company for their corporation and support to ensure a smooth and uninterrupted process at the Annual General Meeting of the Company and look forward to their virtual attendance.

BY ORDER OF THE BOARD
ROYAL PALMS BEACH HOTELS PLC
MERCANTILE INVESTMENTS AND FINANCE PLC
Secretaries

15th August 2025
Colombo

Form of Request

FOR A PRINTED COPY OF THE ANNUAL REPORT 2024/25 OF ROYAL PALMS BEACH HOTELS PLC

I would like to receive the printed version of the Annual Report 2024/25 of Royal Palms Beach Hotels PLC

Shareholders Details	
Full name of Shareholder	
Shareholder's NIC/Passport/ Company Registration No.	
Contact Number	
Signature	Date

Notes:

- 1) Please complete the Form of Request by filling in legibly the required information /Date and signing in the space provided.
- 2) In the event the shareholder is a Company, the Form of Request should be signed under its Common Seal or by a duly authorised officer of the Company in accordance with its Article of Association.
- 3) Please forward the completed Form of Request to the Secretaries in one of the following methods-
By post / Delivered by Hand-
Secretaries
Royal Palms Beach Hotels PLC
236, Galle Road, Colombo 03
By Fax - 0112434524 By email – mercantile@mi.com.lk

Registration Form

ANNEXURE 1

ROYAL PALMS BEACH HOTELS PLC 33rd Annual General Meeting

To: Mercantile Investments and Finance PLC
Secretaries
Royal Palms Beach Hotels PLC
236, Galle Road,
Colombo 3

Full Name of Shareholder

Address of Shareholder

.....

Shareholder's NIC No/Passport No/Co. Reg No

Membership No/ CDS Account No

Shareholder's Contact Nos. Residence Mobile

Shareholder's e-mail address (Please type clearly, mandatory)

If Proxy is Appointed

Full Name of Proxy

Proxy Holder's NIC No/Passport No.

Telephone No. Residence Mobile

e-mail Address (Please type clearly, mandatory)

.....
Shareholder's Signature/Date

.....
1st Joint holder's Signature/date

.....
2nd Joint holder's Signature/date

Notes:

Instructions as to completion are noted on the reverse hereof.

Registration Form

INSTRUCTIONS AS TO COMPLETION

1. Shareholders are advised to complete the form legibly in order to facilitate their participation through the online platform
2. The “Web Link” for participation at the AGM through the online platform will be forwarded to the Shareholder’s above noted email address.
3. In the case of a Company/Corporation, the registration form must be under its Common Seal, which should be affixed and attested in the manner prescribed by its Articles of Association.
4. If the registration form is signed by an Attorney, the relative Power of Attorney should also accompany the proxy form for registration, if such Power of Attorney has not already been registered with the Company.
5. The completed registration form should be deposited at the Secretaries office at No.236, Galle Road, Colombo 3 or emailed to mercantile@mi.com.lk 48 hours before the time appointed for the meeting.

Form of Proxy

I/We

of
being a member/members of ROYAL PALMS BEACH HOTELS PLC, do hereby appoint;

.....
of or failing him/her

Angeline Myrese Ondaatjie	or failing her
Gerard George Ondaatjie	or failing him
Travice John Ondaatjie	or failing him
Nawagamuwage Hasantha Viraj Perera	or failing him
Ajita de Zoysa	or failing him
John Damasene Vaz	or failing him
Prasanna Senani Rajiv Casie Chitty	or failing him
Punyakanthi Tikiri Kumari Navaratne	or failing her
Getawa Kandage Sudath Kumar	or failing him
Aroshi Nanayakkara	

as my/our proxy to represent me/us and to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on 30th September 2025 at 12.30 p.m. as a virtual meeting assembled at 236, Galle Road, Colombo 3 and at any adjournment thereof, and at every poll which may be taken in consequence thereof.

		For	Against
1)	To receive and adopt the Report of Directors and the Statement of Accounts for the year ended 31st March 2025, with the Report of the Auditors there on.	<input type="checkbox"/>	<input type="checkbox"/>
2)	To elect Mr. P S R Casie Chitty retiring in terms of Article 88(i) of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
3)	To elect Mr. A de Zoysa in terms of Section 211 of the Companies Act No.7 of 2007	<input type="checkbox"/>	<input type="checkbox"/>
4)	To re-elect Ms. P T K Navaratne in terms of Article 95 of the Articles of Association of the Company	<input type="checkbox"/>	<input type="checkbox"/>
5)	To re-elect Mr. G K Sudath Kumar in terms of Article 95 of the Articles of Association of the Company	<input type="checkbox"/>	<input type="checkbox"/>
6)	To re-elect Ms. A Nanayakkara in terms of Article 95 of the Articles of Association of the Company	<input type="checkbox"/>	<input type="checkbox"/>
7)	To re-appoint Messrs. Ernst & Young who are deemed to be re-appointed as Auditors of the Company in terms of Section 158 of the Companies Act No.7 of 2007 and to authorize the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>
8)	To authorize the Directors to determine payments for charitable and other purposes for the year 2025/26.	<input type="checkbox"/>	<input type="checkbox"/>

As witness my/our hand this day of 2025

.....
Signature of Shareholder/s

Note:

Please delete the inappropriate words.
(Instructions as to completion are noted on the reverse hereof)

Form of Proxy

INSTRUCTIONS AS TO COMPLETION

1. Kindly perfect the form of proxy, after filling legibly your full name and address and by signing in the space provided and please fill in the date of signature.
2. If the proxy form is signed by an Attorney, the relative Power of Attorney should also accompany the proxy form for registration, if such Power of Attorney has not already been registered with the Company.
3. In the case of a Company/Corporation, the proxy must be under its Common Seal, which should be affixed and attested in the manner prescribed by its Articles of Association.
4. The completed form of proxy should be deposited at the Registered Office of the Company at No.236, Galle Road, Colombo 3, 48 hours before the time appointed for the meeting.

Corporate Information

Name of the Company

Royal Palms Beach Hotels PLC.

Status & Legal Form

Public quoted company with limited liability
Incorporated in Sri Lanka on 20th May 1992.

Company Registration Number

PQ 167

Tax Payer Identification Number

114092118

VAT Registration Number

114092118 7000

Communication Registered Office

236, Galle Road, Colombo 03,
Sri Lanka
P.O. Box 195, Colombo
Tel : 2343720-7
Fax : 2434524, 2448279
E-mail : Salesandmarketing@tangerinehotels.com
Reservations@tangerinehotels.com
Website: www.tangerinehotels.com

Hotel

Royal Palms Beach Hotel, De Abrew Road,
Nagashandiya, Waskaduwa.
Tel : 034-2228113-7
Fax : 034-2228112
E-mail : info@royalpams.lk

Secretaries

Mercantile Investments & Finance PLC

Remuneration Committee

Chairman – P T K Navaratne
P S R Casie Chitty
G K S Kumar

Audit Committee

Chairman – G K S Kumar
N H V Perera
P S R Casie Chitty
P T K Navaratne

External Auditors

Ernst & Young,
CHARTERED ACCOUNTANTS

Internal Auditors

Deloitte Associates
Chartered Accountants

Bankers

Hatton National Bank PLC
Commercial Bank of Ceylon PLC

Board of Directors

A.M. Ondaatjie -Chairperson
G.G.Ondaatjie
T.J. Ondaatjie
N.H.V.Perera
A.De.Zoysa
J.D.Vaz
P S R Casie Chitty
G K S Kumar
P T K Navaratne
Aroshi Nanayakkara

Corporate Management

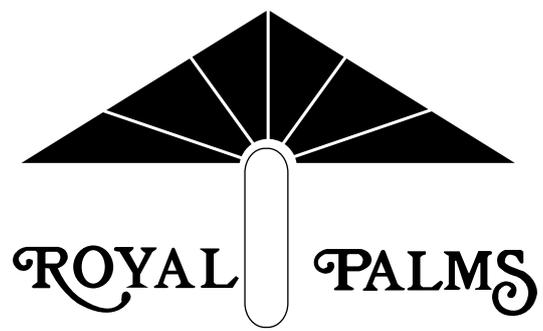
Ravi Kurukulasooriya	General Manager
M.I. Shahabdeen	Chief Financial Officer
Manil Galagoda	Group Consultant for Engineering
Ravi Fernando	Group Accountant (up to 03.02.2025)
Nelson Mayadunnage	Financial Controller
Menaka Fernando	Chief Accountant

Management Team

Ravi Kurukulasooriya	General Manager
Nelson Mayadunnage	Financial Controller
Menaka Fernando	Chief Accountant
Bandula Priyantha	Executive Chef
Janatha Kumara	Rooms Division Manager
Tharindu Semage	Engineer (from 09.07.2024 to 29.03.2025)
Nilan Chandima	Food & Beverage Manager
Praboth Jayaweera	Credit Manager
Praneeth Madushanka	Executive Housekeeper (Resigned w.e.f. 04.12.2024)
Sugath Karunasanda	Executive Housekeeper (w,e,f,25.02.2025)
Kumudu Priyantha	Food & Beverage Cost Executive
Jayampath Thabrew	Cluster Chief Engineer (Resigned w.e.f.16.10.2024)
Dharani Namasivayam	Front Office Manager

Concept & Designed by





www.tangerinehotels.com