

THE FORTRESS RESORTS PLC



THE FORTRESS RESORT & SPA
SRI LANKA

27 May 2020

Mr Renuke Wijayawardhena
Chief Regulatory Officer
Colombo Stock Exchange
World Trade Centre
Echelon Square
Colombo 1

Dear Sir,

The Fortress Resorts PLC – Disclosure regarding impact of COVID-19

We write to inform you of the status of hotel operations and to provide insight on how The Fortress Resorts PLC is navigating through the ongoing COVID-19 pandemic. TFR has positively taken all recommended measures to ensure the safety and support of its employees, consumers and all its other stakeholders during this challenging time and continues to adhere to the guidelines issued by the Government and health authorities.

Macro environment and operating conditions:

Following the diagnosis of COVID-19 patients in Sri Lanka, from mid-March 2020 onwards, the Government declared a state of “work from home” for the general public, post which island-wide curfew was imposed on 20th of March 2020, with some restrictions waived only for services classified as 'essential'. As a further precaution to contain the virus the authorities closed the Bandaranaike International airport on 19th of March 2020 for all inward international commercial passenger flights.

In the first week of April, the imposition of curfew has been relaxed in many parts of the country while the Colombo district and a few other districts continue to be under curfew as they have been identified as high risk zones. The most recent release by the Government states that curfew restriction in these remaining districts maybe relaxed by 11th of May 2020.

Business status and Future Outlook:

Business impact on the financial year 2020/21 cannot be exactly ascertained at this moment and given the uncertain and emerging situation, the TFR expects the impact on performance in the first, second and third quarters to be highly significant and will record operating losses in all these three quarters.

In order to evaluate the financial position particularly over the next 11 months, Resort was stress-tested under multiple operating scenarios, and to ascertain the impact on the ability to sustain operations with its healthy cash reserves and banking facilities in place. However the company is satisfied of its ability to manage operations even under an extreme difficult scenario.

Board of Directors : Dammika Perera (Chairman), K D H Perera (Managing Director), Malik J Fernando, Meril J Fernando,
J A S S Adhihetty, L N De S Wijeyeratne, C V Cabral, Jan van Twest, C U Weerawardana, R E U De Silva

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In addition, with a view to focusing on cash management and liquidity, TFR has adopted weekly and monthly meetings which cover financial and non-financial KPIs and revised targets, including monitoring of monthly cash targets and expenditure control initiatives including a hold on all non-essential capital expenditure and stringent expense control procedures, including a termination of most of the contractual staff till August 2020, subject to further review depending on the macro and operating environment. The Government of Sri Lanka has also announced certain relief measures including a moratorium on repayment of loans and concessionary working capital facilities. Where relevant, such relief measures have been applied for which will help ease the financial position further. While the forecasted liquidity position is manageable, the TFR is of the view that undertaking proactive steps ahead of further stresses will enable maintaining of a stronger balance sheet and facilitate a smooth and faster recovery.

Given that there are no tourists arrivals to Sri Lanka, operations of the Resort has been suspended, thereby saving on certain variable and fixed overheads and other expenses. Depending on Government directives to relax the restrictions, the Resort can re start its operations at any given time although the business is not expected to pick up sharply in the short run due to stringent social distancing guidelines which are likely to be in place.

Due to the high degree of inter connection between global economic and tourism recovery with the performance of the industry, and given the dependency on many source markets, it is expected that leisure industry is to be significantly impacted in the short to medium term. It was believe that the post "COVID 19" action plan to revive the tourism sector introduced by the Sri Lanka Tourism Development Authority will initiate the recovery of the sector.

Given the volatile and evolving landscape the TFR will continue to monitor the impact to its operations and take measures to ensure business continuity as much as possible. At this moment the focus on transitioning to back to work arrangements ensuring all health and safety protocols are in place. While the TFR has a strong cash position, we will continue to focus on ensuring we preserve this position and obtain further banking facilities for any future requirements.

It is becoming important that in the post lockdown period there will be a change in the behavior and expectations of the travelers and they will seek a higher level of hygiene and safety standards in the Hotels. The TFR is evaluating these emerging trends and fine tuning our operating structure and health and safety standards in line with the expectations of such travelers.

We will further notify the Shareholders regarding any material business decisions taken during the post COVID 19 period whenever they arise.

Yours Faithfully

The Fortress Resorts PLC

Jan van Twest

Director / General Manager