

DESIGNED FOR YOU



DESIGNED FOR YOU

We are in the business of designing luxurious spaces, exotic escapes and moments to remember. And as a resort known for sumptuous decadence and award winning stays, we believe that holidays should be about you and that's why we go that extra mile to help create your own personal paradise. From star class dining, to breathtaking surroundings and impeccable service; we ensure that you are nothing less than satisfied. The Fortress Resort and Spa.... Designed for You



World Luxury Hotel Awards 2014

The World Luxury Spa Awards reward service excellence within the Luxury Spa Industry. Raising awareness within a highly competitive industry, maintaining the highest standards and building staff-moral is our main aim.



Crowns for Food Hygiene

Crowns for Food Hygiene scheme is to continuously enhance food hygiene standards in the food handling establishments in Sri Lanka through the use of a public-private partnership scheme designed, based on international best practices.



Wellness & SPA Europe Certificate

The Wellness & SPA Europe Certificate is awarded to specially selected and applying wellness hotels which fulfill the criteria and quality standards set by the European Audit Institute Wellness & SPA. The hotels must at least provide a 4**** Superior-Standard as well as an entire Wellness/SPA- conception within the hotel. Best service quality as well as highest internal and external facility standards together with certified and trained staff, are basic requirements as well as being one of the leading hotels in the area!



- Trip Advisor – Traveller's Choice
- Trip Advisor – Service Excellence Award
- Trip Advisors – Travellers' Choice Award for Luxury Hotels in Sri Lanka
- Trip Advisors – Top Hotels in Sri Lanka
- Trip Advisors – Travellers 'Choice



Business Destinations – Best Luxury Hotel Award

The Business Destinations Travel Awards are designed to showcase those companies whose products and services represent the pinnacle of the business travel industry. Unique in travel accolade platforms.

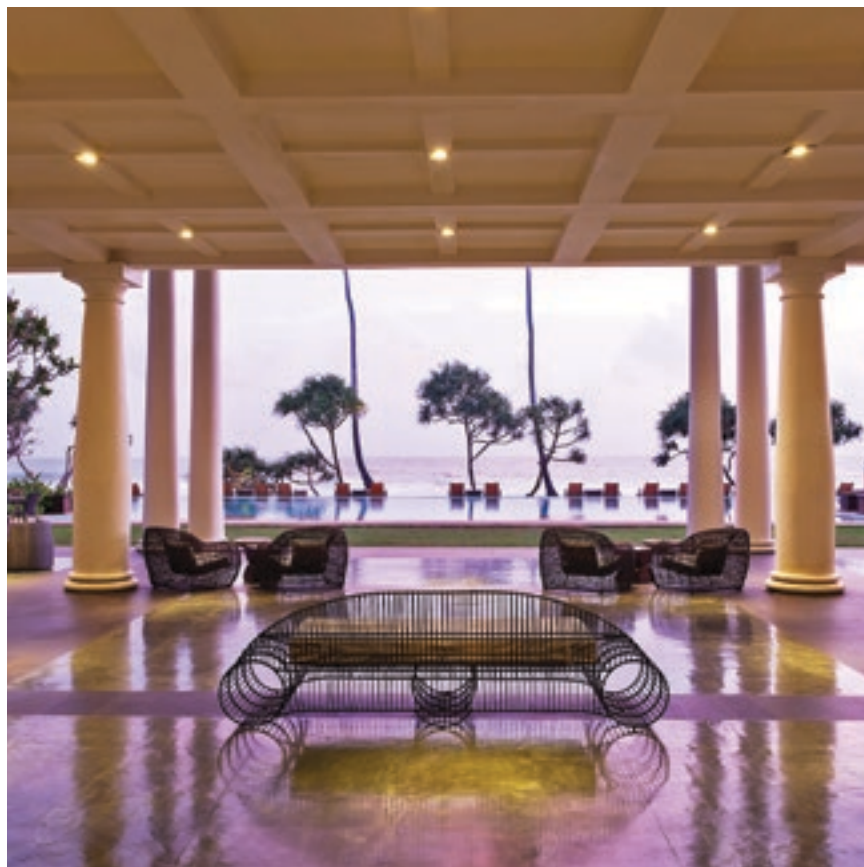


A Resort in Koggala, Sri Lanka. A hotel fashioned in the style of a powerful fortress. Rising next to the beach, the resort's walls enclose verdant gardens and water features, a spa featuring Ayurvedic treatments, a free flow swimming pool, wine cellar, restaurants, boutiques and exquisitely appointed rooms, lofts and residences.

The resort's architecture merges historic Dutch and Portuguese styles into the motifs of Sri Lanka and is Galle's most innovative resort experience.



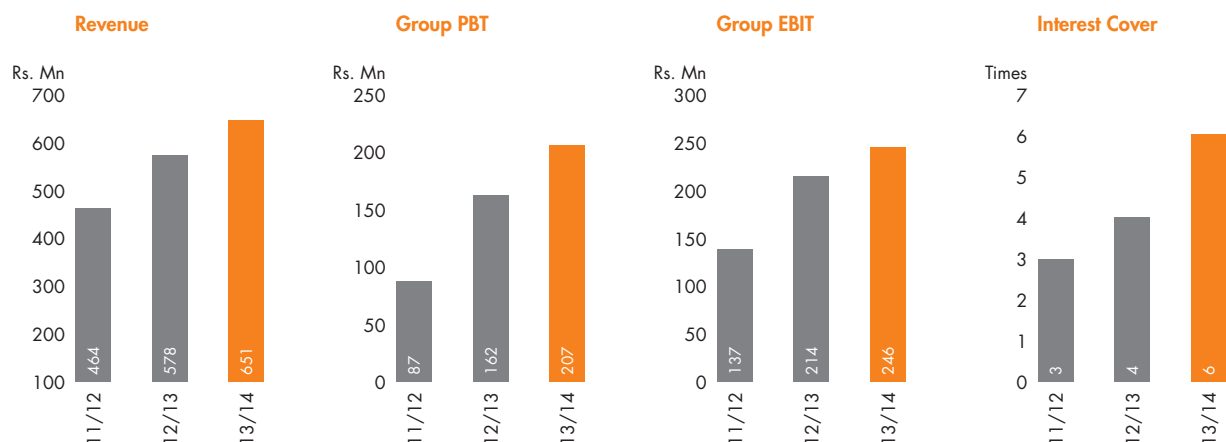
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Group Financial Highlights

Year Ended 31st March		2014	2013	2012	2011
Earnings highlights and ratios					
Revenue	Rs. '000	650,526	577,724	464,306	416,345
Earnings before interest and tax (EBIT)	Rs. '000	246,240	214,158	136,810	161,059
Group profit before tax (PBT)	Rs. '000	206,995	161,735	87,289	86,032
Group profit after tax (PAT)	Rs. '000	176,888	153,635	84,406	84,398
Group profit attributable to the shareholders	Rs. '000	176,888	153,635	84,406	84,398
Earnings per share (EPS)	Rs.	1.6	1.39	0.76	0.76
EPS Growth	%	15	82	41	207
Interest cover	No of times	6	4	3	2
Return on Equity	%	17	14	9	10
Pre - tax ROCE	%	15	11	6	5
Financial position highlights and ratios					
Total assets	Rs. '000	1,397,195	1,490,715	1,389,902	1,375,832
Total debt	Rs. '000	70,697	374,808	425,163	513,674
Total shareholder's funds	Rs. '000	1,214,760	1,038,082	884,447	800,041
No. of shares in issue	Number	110,886,684	110,886,684	110,886,684	110,886,684
Net assets per share	Rs.	10.95	9.36	7.98	7.21
Debt/Equity	%	6	36	48	64
Debt/Total assets	%	5	25	31	37
Market / Shareholder information					
Market price of share as at 31st March	Rs.	13.30	15.00	17.20	25.10
Market capitalisation	Rs. '000	1,474,793	1,663,300	1,907,251	2,783,256
Price earning ratio	No of times	8.35	10.83	22.60	33.03
Operational information					
Average occupancy	%	72	70	66	65
Number of room nights sold	Room nights	13,974	13,459	12,681	12,055
Room revenue	Rs. '000	409,210	357,826	290,885	243,715
Average room rate (ARR)	Rs.	29,284	26,586	22,939	20,217
Revenue per occupied room	Rs.	48,525	45,808	38,828	38,512
Net profit per room	Rs. '000	3,334	2,899	1,593	1,592



A unique method of fishing that is practiced in the south, still fisherman possess great strength and skill and is an icon of Sri Lankan ingenuity as well as the resort. Perched on a wooden crossbar in order to brave the high tide, this tradition creates a beautiful sight out amongst the waves and is a view that is not to be missed during your visit.



Chairman's Review



"Our journey was no walk in the park but the concerted effort of all concerned. The course was not without challenge, we forged forward with unrelenting focus and drive in order to ensure that the ambitious targets set were met. The results as you can see are phenomenal, we have actually over shot our expectation and over-excelled."

A handwritten signature in dark ink, appearing to read 'D. Perera'.

Dammika Perera
Chairman

Dear Stakeholder,

It gives me great pleasure to present to you the Annual Report and Financial Statements of The Fortress Resorts PLC, for the year ended 31st March 2014. Its content goes to prove that your Hotel has displayed a paradigm that truly exemplifies excellence. Your confidence and trust etched even more as we look back at our short history of just over 8 years.

Global recovery sentiment mixed Synopsis of Global Environment

The global economy grew at 2.5% during the first half of 2013, the same pace as the second half of 2012. The World Economic Outlook published in October 2013, by the IMF, states that the global economy is expected to expand by 2.9%, 0.4 percentage points lower than the forecast made in April 2013 and below the 3.2% growth recorded in 2012. The key drivers of global growth are shifting from emerging and developing markets to advanced economies. Growth in advanced economies is picking up, while the strong growth seen in emerging market economies in the recent past is expected to reverse, with the slowdown of Brazil, China, and India being in the forefront of this decline. Advanced economies are projected to expand by 1.2% in 2013 and 2% in 2014. Easing of fiscal consolidation measures and continued supportive monetary policy measures will enable the US to capture a large share of this growth. Recovery is also expected in the Euro area as reflected by continual improvement in business indicators. Expansionary policy stance will to some extent offset higher consumption taxes, which will continue to see subdued growth in Japan.

Emerging economies will, however, continue to account for a larger share of global growth. There are several risks arising from the continued uncertainty regarding the US debt ceiling and the impact of the possible tapering of quantitative easing measures on emerging market economies.

Sri Lanka Macroeconomic Environment

Sri Lanka out-paced most emerging market economies, recording an economic growth of 6.3% in real terms during the first half of 2013. Subdued global growth, unfavourable weather conditions and the lag effect of tight monetary policy measures introduced during the first half of 2012, led to its decelerated growth momentum. However, from a growth perspective the country did exceptionally well to end the year at 7.3% growth for 2013, with all key performance indicators aligned to forecast. Accelerated development, improved investor confidence,

renewed economic activity from geographic areas that long remained laggards due to the conflict were among the factors, which underpinned this positive result.

Despite adverse weather conditions the agricultural sector rebounded. Demand pressure that built up with the upsurge of imports led to the Rupee depreciation against the US Dollar boosting our export competitiveness and propping up our export earnings. The global financial crisis, which affected the country's main export markets and oil prices took its toll on energy prices which in turn adversely impacted the BOP.

However, in the latter part of the year, global trade rebounded strongly to the favourable developments in the global economy, particularly in the fourth quarter of 2013. Sri Lanka's exports too mirrored this trend, strengthening the Current Account.

Burgeoning Milieu for Tourism Sector in 2013

The peaceful environment in the country together with the ongoing strategic investments in the tourism sector, new tourist attractions and mega promotional campaigns witnessed a boom in the number of tourists to Sri Lanka in 2013. The 2013 calendar year ended with a record 1.275 million tourist being welcomed to our shores.

It is noteworthy that tourist arrivals from all regions recorded a significant growth in 2013 compared to the previous year, with significant increases from China and Japan. Western Europe remained the largest tourist generating market for Sri Lanka, with the South Asian region taking second place, while arrivals from India, maintained its position as the leading tourist generating country for Sri Lanka, followed by the UK, Germany, Maldives and France.

An increase in arrivals of high-end tourists and an increase in the average spending per guest contributed to the growth in tourist earnings in 2013.

Your Company's ostentatious performance

It almost seems a systemic trend to see all our parameters showcase impressive growth patterns. Occupancy also gained on similar paradigms. The hotel operated at a 72% average occupancy during the year. This is the highest occupancy figure achieved in the short period of 8 years since its inception, with February 2014, achieving an unparalleled ratio of 98%, breaking all industry norms.

Chairman's Review

Occupancy gains were not won by sacrificing revenue yields. The Hotel improved its revenue while simultaneously enhancing its market share. The Fortress has been focusing on attracting high spending customers since its inception, a tactic that our peers in the industry are only now emulating.

The e-commerce strategy of continued focus on growing direct web sales and online travel agents (OTA's) reaped rewards in both volume and yield.

We have constantly lived up to the faith placed in us in delivering excellent service. We go the extra mile to delight our customers.

Our butler service having recently received coaching from the Australian Butler Academy is enviable. This service we believe is on par with our counterparts in the world and is assuring us repeat customers. We are most proud of our Fortress team, a remarkable force of dynamism and vigour, without whom we could not have achieved these top notch results.

We are continuously benchmarking ourselves internationally and investing in our brand and assets to ensure the Hotel is competitive in the international arena and retains its position amidst the increasingly competitive locale. Our refurbishments capture the Fortress spirit aptly, guaranteeing guests a private retreat, where they can bask in a lap of luxury.

We leave no stone unturned in our march towards excellence in luxury, which has now become synonymous with our name. The crowning of a fabulous year was the acknowledgements by the world. During the year a number of awards were bestowed on us, namely;

- World Luxury Spa Award
- Trip Advisor – Traveller's Choice
- Leading Spa Selection
- Business Destinations – Best Luxury Hotel Award
- Crowns for Food Hygiene
- Trip Advisor – Service Excellence Award
- Trip Advisors – Travellers' Choice Award for Luxury Hotels in Sri Lanka
- Trip Advisors – Top Hotels in Sri Lanka
- Trip Advisors – Travellers' Choice

We will forge into the future capitalising on our distinct personality.

Financial Austerity

The financial performance of the Hotel and its asset position is discussed in detail later in this Report and should be reviewed in conjunction with the Financial Statements and related notes disclosed herein.

Solid growth in income and noteworthy improvements in most of the key performance indicators reinforced its stronghold and positioned the Hotel as one of the most admired in the industry.

We have outdone ourselves yet again. Your Hotel is proud and delighted to declare its best ever profit of Rs. 177 million for the financial year 2013/2014, representing an unparalleled growth of 17% compared to Rs. 154 million, the previous year. This is the first full year that the Hotel has paid tax on its activities.

Our Financial Position is like our building, strong and impermeable

The Hotels Earning per share rose to Rs. 1.60 from Rs. 1.39 with the enhanced profitability achieved during the year.

Total Asset recorded a growth of (6)%, reaching the mark of Rs. 1,397 million, while Total Liabilities dropped to Rs. 182 million (except equity), as we continued to progressively restructure our debt portfolio. Total Shareholders' funds as at the end of March 2013 and March 2014 amounted to Rs. 1,038 million and Rs. 1,215 million respectively. The Net Assets per share was astoundingly high at Rs. 10.96 reflecting the increased asset base during the year with the repayment of the long term Loans.

Improved value addition to stakeholders was apparent in sturdy ROCE and ROE ratios of 15% and 17% respectively. Into this equation infuse a significant PE ratio of 8.3 times.

However, whilst all indicators remained positive and the rate of Return showed obvious bullish sentiments, our share price suffered a drop from Rs. 15 to Rs. 13.30, echoing the volatility that was emblematic of the Colombo bourse.

Sri Lanka's Economic Journey into the Future

The Central Bank forecasts that the Sri Lankan economy will expand at a higher rate of around 8% in 2014. The upturn in the global economy, continued expansion of domestic economic activity, and the result of growth oriented policy measures adopted in 2013 are expected to fuel this growth in 2014.

Since the infrastructure and the environment are areas targeted for continued development, the tourism sector will be in the forefront in years to come. Tourism is expected to attract an estimated US dollars 2 billion in 2014.

Tourism: a bright star within the SL industry

Having placed tourism squarely at the top of its economic agenda, the Government has been making a concerted effort to grow this sector through various initiatives. Accomplishing the 1 Million magic number bodes well for the industry's prospects. There is no doubt that the Government's efforts will usher in the desired result of achieving a target of 2.5 million tourist arrivals in 2016.

The way forward in the tourism sector is to diversify the range of products to cater to different segments of the market. However, in order to maximise the potential of the tourism industry, it is vital to have competitive pricing, upgrade existing hotels, add more capacity and promote home stay tourism, while taking initiatives to ensure the availability of skilled labour for the industry. Staff turnover will be a prominent victim of this accelerated growth resulting in financial implications as well as loss of valuable experienced staff, being issues that employers' would have to reckon with.

Our Journey ahead

Of the myriad series of proposals contained in the Tourism Development Strategy, launched by the Ministry of Economic Development, prominence is placed on tourism in the years to 2016. The three crucial pronouncements in the document were; tourism to achieve 2.5 billion arrivals by 2016, Income from tourism to achieve US\$ 3.6 billion and tourism related jobs created anticipated to reach 500,000.

Exacerbated by the uncertainties in the global arena, this Government patronage will be the catalyst upon which we will build our strength, extend our reach and reinforce our presence. Your Hotel will venture into untapped markets to boost its top line. The growth trajectory trended in the recent years endorses the superior strength and resilience of your Hotel to withstand the challenges facing the business world today. This impressive performance was driven by prudent management practices and astute financial controls coupled with well planned and structured growth strategies.

Sri Lanka is now focusing on attracting high spending tourists, albeit we at Fortress have been practicing this since our inception, achieving revenue progression, and thereby achieving superior financial results year on year irrespective of the broader economic conditions, whether it be local or global.

Acknowledgements & Appreciations

As always the Board of Directors of The Fortress Resorts PLC has been a tower of strength. I wish to sincerely thank these gentlemen for their wise counsel and direction at all times.

The performance of your Hotel is dependent on business acumen and strategy implementation. On this score, the Management, headed by the dynamic C.E.O/Managing Director, Mr. Sumith Adhihetty, deserves a rich applause and my gratitude for their unwavering commitment, dedication and hard work.

I am truly proud of the Fortress team, who has proved beyond doubt that they are "a cut above the rest". wish to place on record my appreciation to all our customers, without whose patronage our Hotel would not be able to achieve these enviable results and last but not least I wish to thank our shareholders for the confidence they have placed in us.



Dammika Perera
Chairman

16th May 2014
Colombo

Chief Executive Officer's Review



"With average year around occupancy exceeding 72%, the Fortress outdid itself, achieving y-o-y revenue growth of over 10%. This occupancy was achieved despite the fact that off-peak seasons were quite lean for most hotels in Sri Lanka."

A handwritten signature in dark ink, which appears to read 'Sumith Adhihetty'. The signature is fluid and cursive, with a horizontal line underneath the main part of the name.

Sumith Adhihetty
Managing Director

This year, I am proud to present a performance, which is truly extraordinary. This is unquestionably the highlight performance of The Hotel's history. Given our legendary reputation of being an icon in the hospitality trade, we will not be complacent but continuously strive towards consolidating our position in this niche for years to come.

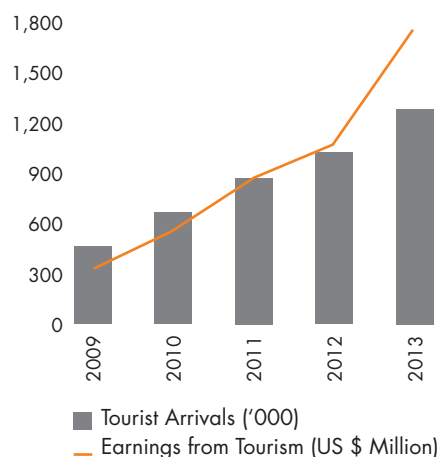
Renaissance of Tourism in Sri Lanka

We see the tourism industry enjoying a burgeoning milieu. Continuing the past trend, tourist arrivals from all regions showed robust results during 2013, as an outcome of the peaceful environment in the country, improved hotels and related infrastructure facilities, new tourist attractions and mega promotional campaigns. Tourist arrivals recorded 1.27 million, surpassing the initial target of 1.2 million, a growth of 26.7% over the previous year.

Western Europe continued to be the prime source market for tourists to Sri Lanka, albeit, arrivals from emerging market economies escalated considerably with significant increases from China and Japan. Tourist arrivals from Western Europe as a share of total arrivals fell to 33% in 2013 from 37% in 2012, although the number of tourist arrivals from this region increased by 13% y-o-y in 2013. On the other hand, the share of tourist arrivals from East Asia, South Asia, Eastern Europe and Middle East increased resulting from effective and strategic promotional campaigns executed during the year focusing on emerging markets. The South Asian region, which was the second major market, accounted for 26% of arrivals in 2013 compared to 24.6% in 2012. Meanwhile, India remained the leading tourist origin country followed by the UK, Germany, Maldives and France. These five countries together accounted for 45% of tourist arrivals to Sri Lanka in 2013. In terms of purpose of visit, a majority of tourists (77%) visited the country for pleasure, while 7% came for business.

Increase in the number of tourist arrivals, increase in arrivals of high-end tourists and an increase in average spending per tourist resulted in earnings from tourism recording US dollars 1,715 million in 2013, compared to US dollars 1,039 million in 2012. According to the Sri Lanka Tourism Development Authority (SLTDA), the average spending per tourist per day increased to US dollars 156.5 in 2013 from US dollars 103 in 2012, while the average duration of stay per tourist decreased to 8.6 days in 2013 from 10 days in 2012.

Tourist Arrivals and Earnings from Tourism



Tourism Sector Performance – 2014

According to the latest update from the Central Bank, tourist arrivals recorded a growth of 24.5%, year-on-year to 141,878 in February 2014 from 113,968 in February 2013. Tourist earnings are estimated to have increased by 33.6% to US dollars 205 million in February 2014, compared to US dollars 153.4 million in February 2013. The top five sources of tourist arrivals in February 2014 were India, UK, Germany, France and China, accounting for about 45% of tourist arrivals during the month. Meanwhile, tourist arrivals in March 2014 have increased by 17.5%, year-on-year, to 133,048 from 113,208 recorded in March 2013. Moreover, tourist earnings increased by 26.2% to US dollars 192.2 million in March 2014, from US dollars 152.4 million in March 2013.

Tourism Sector Developments

In its efforts to reach a target of 2.5 million tourists by 2016 and an annual income of US dollars 3.6 billion from tourism by 2016, the SLTDA and other relevant authorities have put into play several initiatives. The main strategies adopted to reach this goal include the development of domestic infrastructure facilities, strategic investments by global hotel chains, promotional campaigns, new tourist attractions and identifying zones in the Northern and Eastern provinces for tourism development activities. To accommodate this expected increase in tourist arrivals, 268 projects, which are expected to add around 17,788 rooms to the existing capacity were in the pipe line by

Chief Executive Officer's Review

end June 2013, of these, final approval was granted for 136 projects. Tourism Development Zones in Kalpitiya, Kuchchaveli and Yala are being promoted for investment with a view to develop tourism based on different themes. Ippantive, Vellai and Uchchamuni islands were leased to three investors and approval was granted by the Coast Conservation Department to construct four water bungalows in Vellai island as a pilot project.

Shangri-La Asia Limited, one of Asia Pacific's luxury hotel chains, as well as several other international hotel chains such as Hyatt, Movenpick and Sheraton are under construction and are expected to commence operations in Sri Lanka in the near future.

Further, approval was granted for 36 new hotel projects consisting of 2,547 rooms with an investment of US dollars 372 million during the year. Lesser-known sites were identified in Ampara, Gampaha and Puttalam districts and are expected to be promoted in order to attract more tourists to the country, encourage more investments and generate direct and indirect employment opportunities.

New initiatives like visits to communities, and activities relating to farming, fishing, festivals, religious and cultural programmes, sports, bird watching and wildlife were also actively promoted. In addition, developments in infrastructure facilities such as 'Pura Neguma' and the Katunayake expressway have helped improve the first impression of tourists on arrival.

With the main aim of positioning Sri Lanka as the most preferred travel destination among emerging markets, a three-day mega promotional campaign named "Get Sri Lankan'ed", was launched in May 2013. This was followed by a high profile media conference, as well as Business to Business meetings in travel and trade. In addition, promotional exhibitions have been held in Europe and Japan, while, promotional campaigns were held in Russia and other CIS countries, as well as in emerging high potential markets such as China.

The Sri Lanka Tourism Promotion Bureau participated in a number of fairs and exhibitions abroad during the year together with representatives from the travel and tourism industry. Media familiarisation tours were organised for journalists from 30 countries under the 'Visiting Journalists Programme', which has proved successful in promoting the country. In addition, the private sector continued its promotional activities by participating in international tourism fairs and hosting 33 finalists of the Miss France 2014 contest. An exhibition titled 'Reflection of Sri Lanka' and several organised tours were

arranged for visitors to the CHOGM, enabling them to get an exposure of locations, attractions and Sri Lankan traditions and culture. This is expected to generate interest among conference organisers in considering Sri Lanka as a venue for hosting international events and to promote the country as a tourist destination among commonwealth countries.

Fortress - Passion for Excellence personified

With average year round occupancy exceeding 72%, the Fortress outdid itself, achieving y-o-y revenue growth of over 13%. This occupancy was achieved despite the fact that off-peak seasons were quite lean for most hotels in Sri Lanka. This goes to stress that we have got our service offering just right, excellence in luxury, which is synonymous with our name. The month of February achieving an excellent occupancy ratio of 98% only goes to endorse this fact.

Our medium term strategy is aimed at bolstering the top line by increasing our market share and increasing the yield generated therein. Sri Lanka's objective of attracting high spending customers to its shores is a strategy that we at Fortress have championed since our inception, and already perfected. This is evident in our sales mix data. Throughout the year, room inventory was carefully managed and priority was given to selling higher category rooms, whenever possible.

At FRP we are aggressively seeking cost effective measures to further improve our reach and to this end our web system has proved successful. Success in web sales is the ability to generate excitement and translate this interest into actual room nights.

Every task we engage in is engineered to deliver an experience like no other. We defy convention to take the mundane out of everyday. Every step in our process is completed with acute attention to detail. Our capital expenditure and refurbishments capture this spirit aptly. During the year, the Hotel expended close to Rs. 2 million, to set up a unique interactive dining facility, serving Japanese cuisine, specialising in Teppan Yaki. This restaurant is operating in full swing at the moment and is already 'kicking up a storm' with the up-market foreign nationals in the locality looking for a gourmet dining opportunity. Fairly high bookings are witnessed, from high-end foreign nationals residing in the villas in the surrounds. This is a new concept for the locality and shows immense potential from high spending city dwellers traveling on the newly opened highway.

During the year Rs. 30 million was spent towards enhancing guest facilities, echoing our commitment to offer guests the ultimate in luxury. We are planning to upgrade the conditions in the guest rooms (interior) during the next year, at a cost of approximately Rs. 50 million and a further Rs. 40 million has been budgeted for repair and maintenance work of the Hotel.

The 'Room Care Programme', spruces up the rooms, on an ongoing basis and the interior of all guest rooms have been refurbished during the year. This continuous freshening up approach has proved successful in upholding the appearance and image of the Hotel. Fortress is a name that sells and will perpetually trump other properties in the locality.

Our dedication to offer utmost service to our guests is mirrored in our top class butler service. This service has assured us an expansive repeat customer base of patrons who wish to be engulfed in a lap of luxury, which is truly Fortress style.

In the context of rapid growth witnessed in the tourism sector, one of the major challenges facing the Hotel is the shortage of skilled staff. To address this need we have launched several training initiatives. It would take some time for our training to filter through to the grass root level but the results would be spectacular. The benefit of training is intangible but its impact will pervade through the Hotel and will remain in the Hotel for a long time. Attracting and retaining skilled labour has become an increasing impediment. At Fortress we will continue to recognize and reward our employees. In this regard, the distribution of wealth to employees was Rs. 84 million, during the year under review.

We would have to find a new language to express our premium offering, which is our everyday norm. Well-planned and executed strategies and initiatives have been instrumental in securing a number of notable accomplishments during the year, namely; World Luxury Spa Award, Trip Advisor – Traveller's Choice, Leading Spa Selection, Business Destinations – Best Luxury Hotel Award, Crowns for Food Hygiene, Trip Advisor – Service Excellence Award, Trip Advisors – Travellers' Choice Award for Luxury Hotels in Sri Lanka, Trip Advisors – Top Hotels in Sri Lanka, Trip Advisors – Travellers Choice

Yet another bravura performance

During the reporting period, the Hotel witnessed phenomenal performance in terms of operations and financials, firmly marking its place in the growth momentum of the economy. The Hotel benefited from the platform created for continued growth with Government patronage for the tourism sector.

Applauded occupancy growth led to enhanced Revenues of Rs. 680 million, (including other income and gains) setting a new bar for Fortress. As mentioned before, an expat community, owners of new villas in the surrounds, counting over 200, has opened up a market for sophisticated entertainment and high-end dining experiences in the area. Theme nights and weekend promotions targeting high-end Colombo clients are also reaping rewards. Spurred by this activity, restaurant and bar sales saw sharp revenue growth of 10% to reach new heights of Rs. 216 million, during the year. Fortress has set a new benchmark of 48:52, breaking the industry norm of 40:60 F&B sales to room revenue ratio. Income from the Hotel Spa and Boutique also demonstrated astonishing increases.

Other income, essentially transportation income and excursion income witnessed sharp increases during the year with the intensified demand for tours organised to various cultural, religious and heritage sites in Sri Lanka's archipelago. Sri Lanka's rich bio diversity and luscious landscape also attracted many customers in search of the 'greener destinations' to be explored.

Resource cost and energy had its role in accentuating the operating expenses. Striking down of non-value adding expenses and activities eased the inflationary pressure on operating costs and the bottom line. Prudence in cost management coupled with greater financial discipline exercised by your Hotel underlined our outstanding performance.

Despite increase in operational costs due to external price shocks of essential commodities and utilities total PBT increased by 28% to stand at Rs. 207 million for the year.

The Hotel's Total Asset recorded a growth of (6) % reaching the mark of Rs. 1,397 million, while Total Liabilities declined during the year to end at Rs. 182 million as at the Balance Sheet date, lower from Rs. 270 million in the preceding year.

Total Shareholders' funds as at the end of March 2013 and March 2014 amounted to Rs. 1,038 million and Rs. 1,215 million respectively. This had a knock-on effect on the Net Assets per share, which was Rs. 10.96 at the balance sheet date.

ROCE for the year was 15% as against 11% recorded for the previous year, indicating the improved value addition to stakeholders.

EPS was steep at Rs. 1.60, while the share price closed at Rs. 13.30 on 31st March 2014, ensuing a PE ratio of 8.3 times.

Chief Executive Officer's Review

Responsible Tourism

The austerity measures adopted to streamline and effectively manage cost coupled with enhanced revenue streams will propel us forward on our journey we take with all our stakeholders on board, i.e. customers, employees, the local community, regulatory bodies, government and shareholders. We are firmly committed to building strong and mutually beneficial ties with each of these groups.

The Hotel contributes to the creation of employment opportunities in the country. Fortress endeavours whenever possible, to recruit persons needed for the Hotel from the local community. This has led to uplifting the standard of living of the people of the community it operates in and thereby paving the way for social and economic development in the locality.

The Hotel has instilled a sense of community ownership amongst its team, encouraging them to participate in community projects earmarked in the Fortress social calendar. Reflecting our unwavering commitment to society, we undertook a number of CSR projects during the year, which are detailed in our Sustainability Report.

We are also keenly aware of our impact on the environment and strongly promote the philosophy; Reduce Reuse and Recycle.

Chartering a course

The Fortress has taken the cue from the trends in the global arena and is making headway to establish a strong foothold in the regions showcasing prospects. This stems our efforts towards the US market, which has witnessed an upsurge of tourists. This year the Hotel gained fruition from the initiatives set in motion towards realising this potential.

The Hotel maintained a high profile at key international trade fairs and seminars in order to build and strengthen our links with tour operators and industry officials looking for exotic destinations. ITB Asia, ITB Berlin, World Travel Market, and LE Miami fair, were key events where we made a notable presence.

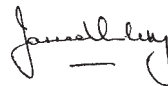
The dynamic presence that Fortress is etching for itself in the tourism industry will only give added impetus to the focused journey that your Hotel has embarked upon.

The F & B area has been identified as a turning point for the next year, as we position ourselves for an incremental growth in sales due to the opening of the high way from Galle to Matara. We anticipate the recently opened Japanese restaurant which is already drawing in good numbers from the vicinity to be frequented by the cream of Colombo society traveling via the newly opened highway. Patrons to this restaurant can engage in an interactive dining experience whilst watching the sun set gleaming golden into the never ending blue ocean, simply mesmerizing. An Idyllic setting that could only be overshadowed by the equally exquisite cuisine to be savoured. The success of this restaurant has prompted plans to open another seafood restaurant that will further enhance F & B revenues in the years to come.

Appreciations

I am most appreciative of the direction and strategic leadership unreservedly extended to me by the Chairman and Board of Directors, which has been instrumental in Fortress achieving one of the best years in its history. I am fortunate to work with such a high caliber group of gentlemen on whose collective wisdom the FRP can always rely upon. Further I am extremely proud of my team, who have been at the forefront of creating a Company that is emulated as a leader in the industry. The Fortress is fortunate to have a group of highly committed and motivated individuals who have with great ambition, leadership and aspiration taken the Hotel to great heights and my gratitude to all for this achievement.

To this date Fortress has remained at the helm of a very competitive industry. We will not however, revel in our success but make it a springboard to reach greater heights.



Sumith Adhihetty
Managing Director

16th May 2014
Colombo



Making your meals as memorable as your stay. The Fortress offers a variety of dining option that are catered to your unique tastes. Ditch the norm and indulge in a sandy beach side lunch, a rendezvous on the pool deck or a wall dinner on the rocks for which we are renowned. You won't be disappointed with our range of dinning destinations.



Board of Directors



Mr. Dhammika Perera

Chairman

Mr. Dhammika Perera is the quintessential business leader, with interests in a variety of key industries including Hydropower generation, Manufacturing, Hospitality, Entertainment, Banking and Finance. He enriches the Board with over 25 years of experience in building formidable businesses through unmatched strategic foresight.

He currently holds the position of Secretary to the Ministry of Transport, Sri Lanka. He is also a member of the Board of Directors of Strategic Enterprise Management Agency (SEMA).

Mr. Perera is the Chairman of Sampath Bank PLC, Vallibel One PLC, Vallibel Finance PLC, Vallibel Power Erathna PLC and Delmege Limited.

He is the Deputy Chairman of Hayleys PLC, Royal Ceramics Lanka PLC, Horana Plantations PLC, Lanka Ceramic PLC and L B Finance PLC. He also serves on the Boards of Amaya Leisure PLC, Haycarb PLC, Hayleys MGT Knitting Mills PLC, The Kingsbury PLC, Dipped Products PLC, Lanka Tiles PLC, Orit Apparels Lanka (Pvt) Ltd and Sun Tan Beach Resorts Ltd.



Mr. J. A. S. Sumith Adhithetty

Managing Director

A well-known professional in the marketing field, he counts over 32 years of experience in the finance sector.

He serves on the Boards of Vallibel Finance PLC, Vallibel One PLC, Pan Asia Banking Corporation PLC and is the Managing Director of L B Finance PLC.

He was formerly the Deputy Managing Director of Mercantile Investments Limited and served as a Director of Nuwara Eliya Hotels Limited, Grand Hotel (Pvt) Limited, Royal Palm Beach Hotels Limited, Tangerine Beach Hotels Limited and Security Ceylon (Pvt) Limited.

Mr. W. D. Nimal H Perera

Alternate Director to Mr. P.B. Perera

In the Director Panel since 2003, Mr. Nimal Perera also serves on Boards of Pan Asia Banking Corporation PLC, Lanka Tiles PLC, Lanka Walltiles PLC, Lanka Ceramics PLC, Horana Plantations PLC, Swisstek Ceylon PLC, as the Chairman, Royal Ceramics Lanka PLC as the Managing Director, Vallibel One PLC as the Deputy Chairman, LB Finance PLC as the Executive Director, Vallibel Power Erathna PLC.

Holds directorships in Hayleys PLC, Kingsbury PLC, Haycarb PLC, Thalawakele Tea Estates PLC, Amaya Leisure PLC, and Vallibel Finance PLC.

He is a renowned business magnate, stock trader and shareholder of many companies in the country.

**Mr. C. J. Wickramasinghe**

Director

Mr. Chandra J. Wickramasinghe counts over 35 years experience in the leisure industry. He is the Founder Chairman of Connaissance de Ceylan (Pvt) Ltd, Maalu Maalu Resorts & Spa, Aliya Resort & Spa, Mountbatten Bungalow and CDC Events and Travels. He is a Director of Hunas Falls Hotels PLC.

Mr. Wickramasinghe is a Board Member of Sri Lanka Tourism Development Authority (SLTDA). He is also the Founder President of Alliance Francaise de Kotte.

He is a Past President of the Travel Agents Association of Sri Lanka (TAASL) and a Past President of the Sri Lanka Association of Inbound Tour Operators (SLAITO). He is a former Board Member of Sri Lanka Tourism Promotion Bureau (SLTPB).

Mr. Wickramasinghe was awarded Silver in the National Entrepreneurs category in 1999, organised by the Federation of the Chamber of Commerce & Industry (FCCISL).



Board of Directors



Mr. Malik J. Fernando

Director

Mr. Malik Fernando was appointed to the Board of The Fortress Resorts PLC in 27th May 1999 as a Director.

He is the Director Operations of the MJF Group, which comprises several tea growing and tea packing/exporting companies, supplying the 'Dilmah Tea' brand around the world.

Mr. Fernando holds a Bachelor of Science Degree in Management from Babson College, USA.



Mr. Merrill J. Fernando

Director

Mr. Merrill J. Fernando was appointed to the Board of The Fortress Resorts PLC on 27th May 1999.

He is the Chairman of MJF Holdings Limited and one of Sri Lanka's first tea tasters in the then British-dominated trade. He is the founder of 'Dilmah Tea' brand name which re-launched, redefined and re-established the quality of Ceylon tea. Dilmah is now, a much respected global name, renowned for its quality and the philosophy of caring and sharing behind the brand.

Mr. Fernando incorporated the MJF Charitable Foundation, a low profile charity which works to create better conditions for plantation workers', underprivileged children, elders and society's victims.

Mr. Suranimala Senaratne

Director

Mr. Suranimala Senaratne counts over 35 years' experience in the tourism and leisure industry. He held the position of Managing Director of Connaissance Group of Companies from 1987 to 2008.

In 2008, he took over the management of Yathra Travels (Pvt) Ltd as the Chairman / Managing Director. He is also the Chairman of Blackpool Holdings (Pvt) Ltd and a Director of Amaya Leisure PLC and Vallibel Finance PLC.



Mr. L. T. Samarawickrama

Director

An Internationally qualified Hotelier having gained most of his management experience in UK, working for large international hotel chains over a long period of time. First Sri Lankan Manager to be appointed by the Beaufort International Chain of Hotels to run the first seaside boutique resort. Member of the Institute of Hospitality, UK (formerly HCIMA) and of the Royal Society of Health, London. He counts several years of experience in the trade. Having specialized in Hotel designs and development, he has been responsible for the careful planning and execution of Amaya Resorts & Spas PLC refurbishment and rehabilitation programmes.

He is a Director of Amaya Leisure PLC, Hunas Falls Hotels PLC, The Kingsbury PLC, Royal Ceramics Lanka PLC and Kelani Valley Plantations PLC, Royal Porcelain (Private) Limited, Rocell Bathware Limited, Culture Club Resorts (Pvt) Ltd, Kandyana Resorts (Pvt) Ltd and Hayleys PLC .



Board of Directors



Mr. Lalit N. de Silva Wijeyeratne

Director

Mr. Lalit N. de Silva Wijeyeratne who was appointed to the Board of The Fortress Resorts PLC on 22nd March 2010 is a fellow of Institute of Chartered Accountants in Sri Lanka and counts over thirty eight years' experience in Finance and General Management both in Sri Lanka and overseas. He was the Group Finance Director of Richard Pieris and Company PLC and also held senior management positions at Aitken Spence & Company PLC, Brooke Bonds Ceylon Ltd and Zambia Consolidated Copper Mines Ltd. He is presently a Director of several listed and unlisted companies.



Mr. Denesh Eric Silva

Director

Fellow Graduate Member from the Ceylon Hotel School and School of Tourism (FCHSGA), in Hotel and Catering Operations with a specification in Front Office Operations and was awarded the Management Diploma in Hotel and Catering Operations with a Second Class Upper Division and a Member of the Institute of Hospitality (UK). He counts over 22 years of experience in the Hospitality Industry, specialising in Marketing and Sales. He is also an All Island Justice of the Peace.

He is a Director of Amaya Leisure PLC, The Kingsbury PLC, Maalu Maalu Resorts and Spa, Hunas Falls Hotels PLC and Delair Travels (Pvt) Ltd.

Mr. Silva heads the Marketing & Sales of Amaya Resorts & Spas and The Kingsbury Hotel. He currently functions as the Head of the Marketing Sub-Committee of The Hotels Association of Sri Lanka and the President of Travel Trade Sports Club.

Mr. P. B. Perera*Director*

Mr. Prashan Buddhika Perera joined the Company as a Director on the 8th August 2012 and is presently reading for his Degree in Finance at the Bentley University of Boston, Massachusetts, USA.

**Mr. H. Somashantha***Alternate Director to Mr. L. T. Samarawickrema*

Mr. Haresh Somashantha is a member of the Institute of Chartered Accountants of Sri Lanka and also holds a Bachelor's Degree in Mathematics from the University of Kelaniya. He counts over 14 years of experience in audit, financial management and reporting, including strategic and corporate planning across different industries.

He is currently the Head of Finance & Treasury of Royal Ceramics Lanka PLC. He serves as a Director of Hayleys MGT Knitting Mills PLC, Vallibel Power Erathna PLC, Royal Porcelain (Pvt) Ltd., Unidil Packaging (Pvt) Ltd., Ever Paint and Chemical Industries (Pvt) Ltd., and in several subsidiary companies in the Delmege Group. He is also an Alternate Director of Amaya Leisure PLC.



Board of Directors



Mr. Jan Peter van Twest

Director

Mr. Jan P. van Twest counts over 35 years of experience in the hospitality industry in senior Management positions in Sri Lanka, Europe, Australasia and the South Pacific.

He graduated from the Ceylon Hotel School, Sri Lanka, in Hotel & Catering Operations and Advanced Hotel and Catering Operations from the Carl Duisburg Centre in Munich, Germany. He is a certified Hotel Trainer with the Chamber of Commerce for Munich and Upper Bavaria. He is also a graduate of the Technical University of Munich.

He is presently, a Director of the Hunas Falls Hotels PLC and Hotel Services Ceylon PLC.



Mr. Chatura V. Cabraal

Director

Mr. Chatura Vishvajit Cabraal is a Graduate (with Honors) in Mechanical Engineering with a focus in manufacturing and design from the Missouri University of Science and Technology. During his Bachelor's degree, he paid special attention to Control Systems Engineering, Environmental Control and Engineering Statistics. These topics have been extensively applied in his functions as an Engineer in the Energy and Environment Division of Brandix Lanka Ltd. At Brandix, he has been closely associated with the analysis of new equipment for factories, renewable energy projects and sustainability reporting.

Prior to joining Brandix, he gained training as a Management Trainee with John Keells Hotel Management Services in the Projects and Engineering Department.



If the sun and sea doesn't soothe your mind, a visit to our award winning spa might just do the trick. Offering both western and Ayurvedic rituals, our highly trained therapists will make sure that your body and senses are completely relaxed and rejuvenated. The most luxurious spa, on the island, your experience here will be as blissful as your stay.



Management Discussion and Analysis

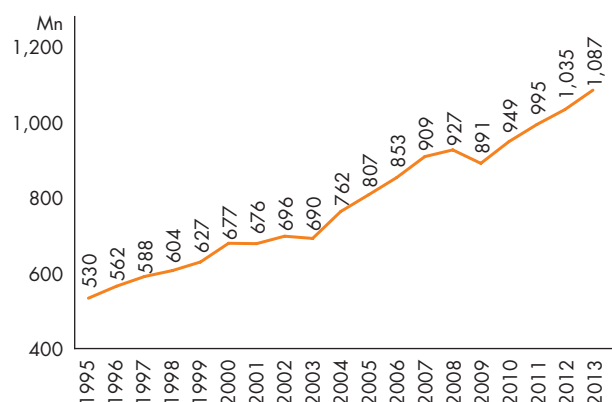


“We were able to wipe out our total accumulated losses in the previous year (2012 / 2013) and the reached a positive accumulated revenue reserve level during the year under review. The Hotel’s Balance Sheet boasts of a Rs. 106 million positive Revenue Reserve and Total Share Holder Funds have soared to Rs. 1,215 million from Rs. 1,038 million in the previous year.”

Overview of the Global Tourism Industry

According to a report by the United Nations, international tourism was well above expectations in 2013, and is expected to grow in 2014. The World Tourism Barometer, published by the UN World Tourism Organisation (UNWTO), reported international tourist arrivals reaching a record number of over 1 billion arrivals, an increase of 5% in 2013 over the previous year. Despite the subdued global economic conditions, an additional 52 million people traveled the world last year.

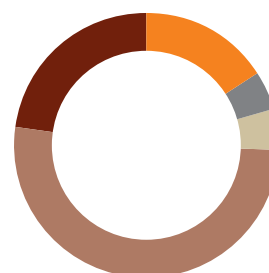
International Tourist Arrivals 95-2013



At a news release, the UNWTO Secretary-General, Taleb Rifai, stated that, "2013 was an excellent year for international tourism," and that "the tourism sector has shown a remarkable capacity to adjust to the changing market conditions, fuelling growth and job creation around the world, despite the lingering economic and geopolitical challenges". He further stated that, "tourism has been among the few sectors generating positive news for many economies".

UNWTO noted that demand for international tourism was strongest for destinations in Asia and the Pacific, followed by Africa and Europe. The leading sub-regions were South-east Asia (up 10%), Central and Eastern Europe (up 7 %), Southern and Mediterranean Europe (up 6 %) and North Africa (up 6 %).

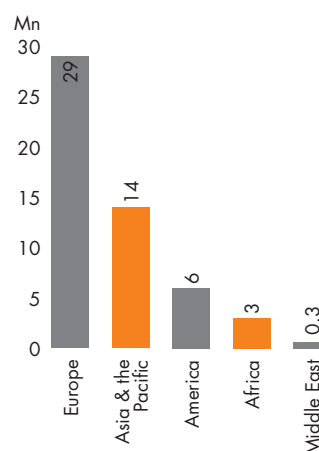
Tourist Arrivals by Region 2013



America	16%
Africa	5%
Middle East	5%
Europe	52%
Asia and the Pacific	23%

Europe led growth in absolute terms, welcoming an additional 29 million international tourist in 2013, raising the total to 563 million. In relative terms, growth was strongest in Asia and the Pacific, where the number of international tourists grew by 14 million to reach 248 million. The Americas saw an increase of 6 million arrivals, reaching a total of 169 million, led by destinations in North and Central America. Meanwhile, Africa attracted 3 million additional arrivals, reaching a new record of 56 million.

Increase of arrivals 2013 by Region



Management Discussion and Analysis

Among top travelers, the number of Russians traveling abroad grew by 29%, while Chinese visitors increased by 22%. The UNWTO noted that Russia and China clearly stand out among the ten most important source markets in the world. China, which became the largest outbound market in 2012 with an expenditure of \$102 billion, saw an increase in expenditure of 28% in the first three quarters of 2013. Russia, the fifth largest outbound market, reported a 26% growth through September.

Meanwhile, travelers from developed countries took fewer trips. Canadian travel expenditure rose 3%, while expenditure of visitors from the United States and the United Kingdom climbed by 2%. Germany reported a 0% growth, while travel from, India, Japan, Netherlands and Italy decreased overall.

"It is particularly encouraging to see the strong results in many European destinations, where the tourism sector is, undoubtedly, one of the engines of the economic recovery".

International Tourism

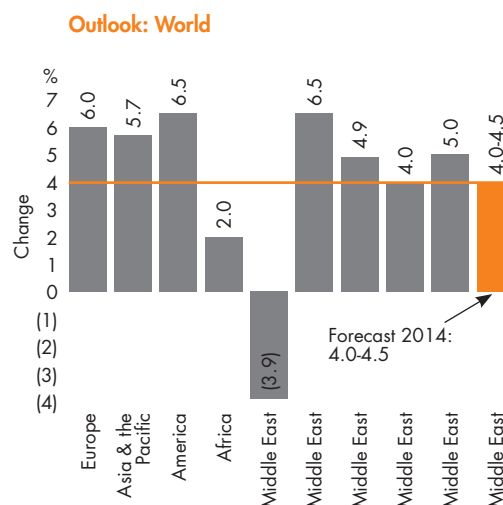
	Actual Data	
	2013	Average 2005 - 2013
World	+5.0%	+3.8%
Europe	+5.4%	+2.9%
Asia and the Pacific	+6.0%	+6.2%
America	+3.6%	+3.0%
Africa	+5.6%	+6.2%
Middle East	+0.3%	+4.6%

In terms of destinations, travelers continued to flock to Europe which reported even stronger growth at 5.4%, particularly in Central and Eastern Europe, and Southern and Mediterranean Europe. This growth exceeds the initial forecast for 2013 and is double the average growth rate of international tourism in Europe since 2000, according to a report by the UNWTO.

Tourism in Asia and the Pacific continued to show robust results recording a 6% growth,, bolstered by visitors to South-east Asia, which recorded a 10% increase. By contrast, the Americas reported a comparatively weaker result, a 3.6% increase, with a slightly better boost to North America, specifically the United States. Africa saw a growth of 5.6% while the Middle East saw a marginal increase of 0.3%.

Future of The Global Tourism Industry

"The positive results of 2013, and the expected global economic improvement in 2014, set the scene for another positive year for international tourism,"



UNWTO forecasts international arrivals to increase by 4 to 4.5% in 2014, which is above its long-term forecast of 3.8% growth per year between 2010 and 2020. The UNWTO Confidence Index, based on the feedback from over 300 experts worldwide, confirms this outlook, with prospects for 2014 higher than in previous years.

The regional prospects for 2014 are strongest for Asia and the Pacific (up 5 to 6%) and Africa (up 4 to 6%), followed by Europe and the Americas (both up 3 to 4%). Prospects for the Middle East, the agency said, are "positive yet volatile" (0 to 5%).

International Tourism : Projection full year 2014

	Projection 2014
World	+5.0% to +4.5%
Europe	+5.0% to +4.5%
Asia and the Pacific	+5.0% to +4.5%
America	+5.0% to +4.5%
Africa	+5.0% to +4.5%
Middle East	+5.0% to +4.5%

Source: World Tourism Organisation (UNWTO)

International tourism continues to exceed expectations, supporting economic growth in both advanced and emerging economies and bringing much needed support to job creation, GDP and the balance of payments of many countries. Against this backdrop, UNWTO has called upon national governments to increasingly set up national strategies that support the tourism sector and to deliver on their commitment to fair and sustainable growth.

Trends in the Global Tourism Industry

Globally, the appetite for travel outside its boundaries remains undimmed, albeit the demand for shorter haul and shorter duration has become the flavour of the day.

The trend in the recent past has been longer international and short domestic trips being sacrificed to hold on to more frequent shorter and lower cost international trips. International destinations are offering greater discounts to attract visitors who in turn are taking shorter trips and spending less per trip to make international travel more affordable within constrained budgets.

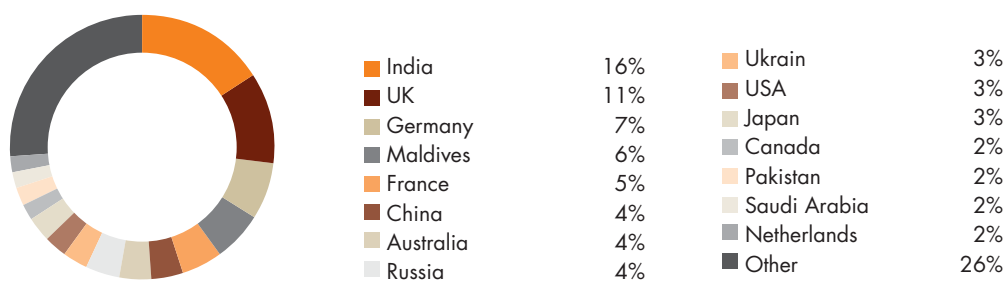
Overview of Sri Lanka's Tourism Industry

Tourism Performance

Item	2009	2010	2011	2012	2013 (a)	Y-o-Y Change % 2013(a)
Tourist Arrivals (No.)	447,890	654,476	855,975	1,005,605	1,274,593	26.7
Pleasure	358,188	516,538	663,343	748,436	980,162	31.0
Business	38,473	83,270	68,097	90,040	94,320	4.8
Other	51,229	54,668	124,535	167,129	200,111	19.7
Tourist Guest Nights (No.)	4,076	6,548	8,559	10,056	10,961	9.0

Sri Lanka Tourism has confirmed that the country has attracted a record breaking 1,274,593 tourists to its shores in 2013. Sri Lanka Tourism follows the standards set by the UNWTO for defining a tourist, when calculating the tourist arrival figures, which says "a person who stays at least one night in a country and does not exceed his stay period for more than 12 months".

Tourist Arrivals by Country 2013



The latest validation was carried out based on the statistics provided by the Immigration and Emigration Department of Sri Lanka using the newly established Electronic Data Capturing System. This system is a joint effort of both the Sri Lanka Tourism Development Authority and the Emigration and Immigration Department of Sri Lanka to ensure that the country accurately captures the tourist arrival figures. This system will come into full swing during the year 2014, and is expected to help reduce errors inherent in data which has been calculated manually.

Management Discussion and Analysis

Accordingly Sri Lanka Tourism took steps to validate the 2013 arrivals data using the new system. Even though new records were set in monthly arrivals throughout the year, the arrivals pattern was similar to the previous year, with it hitting its crowning of approximately 154,000 tourists arriving in the island in the peak month of December 2013.

Tourist Arrivals by Month - 2012 & 2013

Month	2012	2013	Change %
January	85,874	110,543	28.7
February	83,549	113,968	36.4
March	91,102	113,208	24.3
April	69,591	80,737	16.0
May	57,506	74,838	30.1
June	65,245	90,279	38.4
July	90,338	107,016	18.5
August	79,456	123,269	55.1
September	71,111	90,339	27.0
October	80,379	107,058	33.2
November	109,202	109,420	0.2
December	122,252	153,918	25.9
Total	1,005,605	1,274,593	26.7

According to the statistics published by the Sri Lanka Tourism Development Authority (SLTDA), the earnings from tourism increased in 2013, compared to 2012, having a knock on effect on the average spending per tourist per day. This goes to prove that Sri Lanka tourism is robust and resilient to the global events that continue to pose numerous challenges.

The industry Room Occupancy rate hovered at the 71% mark while the average duration of stay per tourist decreased to 8.6 days in 2013 from 10 days in 2012, keeping in line with the trend seen in the global tourism arena.

Year	2012	2013
Room Occupancy rate (%)	71	72
Earnings from tourism (US\$ Mn)	1,039	1,715
Average spending per tourist per day (US\$)	103	156.5
Average duration of stay (days)	10	8.6

Hotels and restaurants, which is one of the thriving industries in post-conflict Sri Lanka kept up to its expectations by recording a substantial growth of close to 20% during the first half of 2013.

Awards & Accolades

Tourism Sri Lanka has achieved great heights in 2013. The following accolades are noteworthy.

- The Travel and Tourism Competitiveness Index of the World Economic Forum ranked Sri Lanka 14th among 25 countries in Asia Pacific and 67th among 140 countries in the world for 2013.
- It is noteworthy to mention that Sri Lanka was ranked 11th in the world for one indicator - Government prioritisation of travel and tourism.
- The Lonely Planet ranked Sri Lanka as the number one destination to visit in the world in 2013.
- The UNWTO placed Sri Lanka in 3rd place in South Asia in terms of international tourist arrivals behind India and the Maldives.
- The Promotional Strategy adopted by Sri Lanka Tourism was highly acclaimed by the government of China and was bestowed the prestigious award, "Most Friendly Government Institute that Worked with China in Year 2013".
- The Sri Lanka Tourism stall was awarded the "Best Decoration Award" at India's biggest international travel show, OTM, held in the capital cities of Mumbai and New Delhi, in February 2014. Countries such as Russia, Malaysia, Switzerland, China, Egypt, Thailand, Maldives, China, Sweden, and Argentina were among the other international participants.
- The Sri Lanka Tourism stall stood elegant at the exhibition, with its décor of water sports, Colombo city, beaches, wild life and festivals of Sri Lanka. The stall attracted representatives from national tourist organisations, state tour operators, tour & travel agents and online travel agencies. The Sri Lanka Tourism Promotion Bureau and the Echo Line Limited (ECL), a Belgium based Film Production Company along with the French Company "Label Adventure" entered into an agreement to produce the 10th season of an Adventure Reality series called "Peking Express" for the French TV channel M6. This programme aptly titled "Share the Dream", will showcase 3 episodes out of 11 taking place in Sri Lanka resulting in Sri Lanka getting 330 minutes of exposure.

- Sri Lanka bagged the “Best Travel Destination” award at the Annual Travel Award Ceremony of the Travel and Leisure Magazine of China. Other awards presented were, “Best Hospitality Provider”, “Best Airlines” and “Best Travel Organiser”. The awards are conferred based on results of an opinion poll conducted among its journalists and readers in China. Sri Lanka’s Ambassador to China, Ranjith Uyangoda accepted this award on behalf of the country at a ceremony, held in Beijing in January 2014. A holiday package jointly sponsored by the Sri Lankan Airlines and Jetwing Travels of Sri Lanka was awarded to a lucky winner, at the awarding ceremony, which was attended by more than 400 representatives including diplomats, travel executives and travel media personnel.

Regulatory Backdrop

Under Section 2 of the Tourism Act (No. 38 of 2005), the Sri Lanka Tourism Development Authority (SLTDA) was formed as the apex body to promote Sri Lanka tourism. The organisation (formally known as “Ceylon Tourist Board / Sri Lanka Tourist/ Tourism Board”) is committed towards transforming Sri Lanka into Asia’s foremost tourism destination. The SLTDA will strive to develop diverse, unique and quality tourism services and products that would place Sri Lanka on the world map as a unique destination to be visited. It is aggressively identifying and developing tourist specific, unique products and services, formulating and implementing Tourism Development Guidelines, and facilitating and implementing legal and administrative processes for new product and service development.

Government Involvement in the Tourism sector

The Ministry of Economic Development officially launched the “Tourism Development Strategy for the next five year period of 2011-2016,” at a grand ceremony held in September 2011 at the Cinnamon Lakeside hotel. The Strategy Document was officially handed over to the respective officials at this gathering of tourism stakeholders, who included industry representatives, diplomats, media and government officials.

The newly launched Tourism Development Strategy upholds the main aim of sustaining the revival of the tourism industry in the next five years. Successful implementation of this strategy will be measured by the achievement of the following targets:

- A target number of 2.5 million tourists by 2016.
Attraction of FDI of USD 3.0 billion within the next 5 years.
- Increase in tourism related employment to 500,000 jobs by 2016.
- Increase foreign exchange earnings from tourism to US\$ 2.75 billion by 2016.

This is in line with the January 2010 visionary statement unveiled by the Mahinda Chinthanaya, which spelt out plans for the 2011 tourism development policy, including details of the “Visit Sri Lanka 2011” initiative.

The initiatives and policies outlined therein will act as a benchmark for the tourism sector for the next five years with the aspiration of preparing the industry to move forward and achieve the targets delineated in the 2020 plans as envisaged by the Finance Ministry.

Positioning Sri Lanka as the world’s most treasured island, we have adopted the tag line “Refreshingly Sri Lanka: The Wonder of Asia”.

The unique selling proposition of Destination Sri Lanka is threefold; Authenticity, Compactness and Diversity.

The specific strategies related to the five-year plan are;

- Creating an environment conducive for tourism
- Attracting the right type of tourists
- Ensuring that departing tourists are happy
- Improving domestic tourism
- Contributing towards improving the global image of Sri Lanka

The document quoting the “Visit 2011” campaign, says that Sri Lanka tourism focuses on 8 product offerings, under the themes, “8 wonderful experiences in 8 wonderful days”, explicitly; Beaches (Pristine)

- Sports and adventure (Thrills)
- Heritage sites (Heritage)
- Mind and body wellness (Bliss)
- Scenic beauty (Scenic)
- Wild life and nature (Wild)
- People and culture (Essence)
- Year round festivals (Festive)

At a time when Sri Lanka tourism had achieved a target of 500,000 tourists in less than 8 months, the launch of the new tourism development strategy is seen as a welcome sign for the future of tourism in Sri Lanka, aligning it to the targets envisaged in the 2020 plan.

The 5-year master plan strategy document of the Economic Development Ministry refers to the 2020 plans outlined by the Finance Ministry. This 36-page document encapsulates the expectations for the tourism industry until 2020, covering all aspects of infrastructure development, standardisation of

Management Discussion and Analysis

products and services, improving the brand awareness and honing all efforts towards achieving sustainability in the long run as a booming sector which significantly contributes to Sri Lanka's economic development. The Ministry of Economic Development is implementing the plan at strategic intervals to get all stakeholders to play an integral role in achieving the set goals spelt out in the publication.

The lifeblood of Sri Lanka's tourism industry is its people. The people who serve tourism are the country's most attractive and vital force. The tourism industry provided employment to over 270,000 people, a sharp increase of 66% over the previous year.

Tourism Performance

Item	2009	2010	2011	2012	2013(a)	Y-o-Y Change % 2013(a)
Total Employment (No.)	124,970	132,055	138,685	162,869	270,150	65.9
Direct Employment	52,071	55,023	57,786	67,862	112,550	65.9
Estimated Indirect Employment	72,899	77,032	80,899	95,007	157,600	65.9

Keeping this in mind, the Sri Lanka Tourism Development Authority (SLTDA) is dedicated to the development of human resources in the travel and tourism industry. Currently plans are in place to train potential individuals who would be able to serve in professional, managerial and operational capacities in the industry. Plans include setting up of an Institute of Tourism, which is similar to institutes such as CIMA and CIM, working alongside the public and private sectors in determining the entry level qualifications for managerial positions, and for providing travel and tourism training in the travel, tourism and MICE management sectors.

Strategy Map

The FRP adopted the Balanced Scorecard method to identify opportunities for improved performance by obtaining continuous feedback on key business processes and external outcomes. The Balanced Scorecard focuses not only on the financial perspective, which is a reflection of the past, but also on processes, customers and human resources, which are needed to mold a well-rounded organisation.

Financial Perspective	Internal Business Perspective	Customer Perspective	Learning & Growth Perspective
<ul style="list-style-type: none"> • Increase Revenue • Trim Cost Structure • Mitigate the Cost of Funds • Enhance Profitability • Strengthen Financial Position • Create Shareholder Value 	<ul style="list-style-type: none"> • Improve Employee Productivity • Strengthen Performance based Recognition and Reward System • Greater Prominence in Web Marketing • Enhance Sustainable Measures • Compliance to best Corporate Governance practices 	<ul style="list-style-type: none"> • Grow Global Reach • Increase Market Share • Ensure Customer Satisfaction • Grow Brand Image 	<ul style="list-style-type: none"> • Enhance Skills & Talents • Improve the Learning Culture • Grow Human Capital

Key Performance Indicators (KPI)

	Achievement	
	2013/2014	2012/2013
Financial Perspective - (Investors)		
Revenue (Rs. Mn)	651	578
Earning before interest & tax (EBIT) (Rs. Mn)	246	214
Group profit before tax (PBT) (Rs. Mn)	207	162
Group profit after tax (PAT) (Rs. Mn)	177	154
EPS (Rs.)	1.60	1.39
ROE (%)	17	14
ROCE (%) pre-tax	15	11
PE ratio (times)	8.35	10.83
Economic Value Added (Rs. Mn)	542	500
Internal Business Perspective - (Employees)		
No. of Employees	225	201
No. of Promotions	20	12
Wealth Creation to Employees (Rs. Mn)	84	81
Employees Below 40 years of age (%)	75	70
Customer Perspective - (Customers)		
New Customers (No's)	26,676	25,815
Repeat Customers (No's)	210	140
Customer Feedback (No's)	1,636	1,529
Customer Complaints (No's)	149	177
Learning & Growth Perspective		
Total Asset base of Hotel (Rs. Mn)	1397	1,491
Total Debt of Hotel (Rs. Mn)	71	375
Debt/Equity (%)	6	36
Value addition to expansion and growth (Rs. Mn)	299	264

Management Discussion and Analysis

Challenges posed by the existing economic environment

The year was considered a mixed potpourri of opportunities and potential global travails.

The challenges faced by FRP are aptly captured by the analysis below. Our strategies for the year under review and the immediate future were molded in response to the challenges posed by the prevalent business environment.

Political	Economic	Social	Technology	Environment	Legal
<ul style="list-style-type: none"> Post conflict peace after 3 decades Macro economic policy directed towards growth Various initiatives to growth the Tourism Industry 	<ul style="list-style-type: none"> Global economic slowdown Asia & Pacific growth Resilient global tourism market Economic growth in SL Boom in tourism sector 	<ul style="list-style-type: none"> Increased per capita income SL elevated to Middle Income Category Improved standard of living Improved leisure, lifestyle, high-tech, social networking 	<ul style="list-style-type: none"> Web based booking Online review of destinations New and improved processes 	<ul style="list-style-type: none"> Greater focus on sustainability Emphasis on reducing Carbon footprint Focus on CSR 	<ul style="list-style-type: none"> Tightening regulatory framework More stringent Corporate Governance practices
Action Take advantage of the political patronage given to grow the business	Action Take cue from global trends and consolidate in existing markets and venture new markets	Action Take advantage of changed social variables and promote the Hotel to new market segment	Action Strengthen out systems and processes Take advantage of the web sales system	Action Active involvement in uplifting community, reducing carbon footprint and protecting the environment	Action Proactively adhering to legal requirements and complying to best Governance practices

Internal Business Analysis

SWOT – Strategic position of Fortress

Strengths <ul style="list-style-type: none"> Strong Brand Acclaimed Image Solid reputation Repeat customers Dynamic staff 	Weaknesses <ul style="list-style-type: none"> Staff turnover Inadequate use of recycled resources Need to reduce carbon footprint Lack of global certifications (Green Globe, ISO & OHSAS) Low use of social media
Opportunities <ul style="list-style-type: none"> Resilient Global economy Robust Sri Lankan Economy Conducive macro economic factors Favourable government intervention & initiatives to promote sector New market potential 	Threats <ul style="list-style-type: none"> Regional competitiveness New competitors locally Increased competition putting pressure on staff retention Escalating resources cost

After an internal analysis of our business, the Management of FRP strategised its short to medium term goals to be to retain and build on its existing customer and employee base while tightening cost controls and minimising wastage and wherever possible reducing, reusing and recycling. In the longer term, the Company is looking at expanding operations by venturing into new markets and seeking new ways to further reduce costs and move to renewable resources in order to face the possible future impediments.

Performance of Key Business Units

Operating Review

	2013/2014		Favourable / Unfavourable
	Budget	Actual	
Occupancy	72%	72%	Favorable
Room nights	13,928	13,974	Favorable
ARR Rs.	27,741	29,284	Favorable
ARR USD	218	225	Favorable
Accommodation	390,842,579	409,210,092	Favorable

Occupancy Levels

The Fortress was running at 72% average occupancy over last year's level of 70%, which was the highest average upheld in the Hotel's history. Especially during the period December 2013 through to March 2014, the Hotel was running at an average occupancy of an outstanding 93%, amassing yet another feat for Fortress. February 2014 attained an unbelievable 98% occupancy, which was the highest occupancy figure achieved in a month in the Hotel's history.

Occupancy gains were not won by sacrificing revenue yields. The Hotel improved its yield while simultaneously enhancing its market share.

Room inventory is carefully managed and priority is given to selling higher category rooms, whenever possible. Higher category room occupancy improved by 3%, albeit, overall occupancy of the hotel increased by only 2% compared to the previous year. Yields generated from these rooms recorded an impressive 18% improvement of Rs. 27.6 million over the previous year.

The Hotel's average room rate has stepped up from 202 USD to 225 USD, yet another notable attainment in the year under review. In terms of Rupees, the ARR improved from Rs. 26,586 to Rs. 29,284, a 10% increase compared to the previous year.

The total revenue per occupied room of Rs. 48,525 compared favourably to the total revenue per occupied room in previous year of Rs. 45,578/-. This significant step-up of Rs. 2,947 per room night has augmented our overall revenue by Rs. 58 million in the year under review.

Market Share

Compared to its major competitors in the area the Fortress is maintaining a higher market share in terms of boutique hotels category. In total there are approximately 43,665 room nights available in the area, concentrated amongst three main competitors, of which the Fortress accounted for approximately 13,974 room nights during the year. This secures an approximate 31% of the area market share, based on available room nights. Notwithstanding, the share increase is close to 45%, if we gauge this based on occupied room nights.

Even with the marginal increase of 2% in occupancies, having sold 13,974 room nights during the financial year under review against 13,459 room nights in the previous year, the Hotel was able to secure a 13% growth in total revenue. This is mainly attributed to the efficient management of hotel room inventory. No effort was spared in order to sell higher category rooms, which in turn generated best-ever room revenues in Fortress' history.

The following table illustrates the Agent mix by sales category with their respective contribution to the accommodation revenues.

Operator	% Contribution	Room nights sold		% Contribution
		2013/2014	2012 / 2013	
Local Operators	12%	1,690	1,761	13%
UK Operators	28%	3,868	4,068	30%
Europe Operators	6%	877	1,093	8%
Web Operators	20%	2,776	1,885	14%
Others	34%	4,763	4,652	35%
Total	100%	13,974	13,459	100%

Promotional Tools

The greatest tool is 'positive word of mouth', to this end we are continuously looking for ways to excel in our product and service offering to the customer. FRP employs both 'above the line' and 'below the line' promotional tools to create awareness, create excitement, create a want and then convert into a successful customer.

Management Discussion and Analysis

Web marketing

Our website is our most valuable marketing tool. It allures visitors but the challenge is to convert visits to new relationships. A challenge that we perfectly transformed into an opportunity as observed from our web sales above, which now contributes 20% to revenue. The hotel is striving for a dramatic growth in web revenues, whilst giving priority to the Hotel owned website.

Our web site is “class” personified, representing the brand perfectly through breathtaking images, perfect design, and superb navigation.

It has led to bolstering our brand image and consolidating our brand awareness and goodwill to deliver unprecedented results for the year.

One can be pilloried or pedestalled in cyberspace. We have gained much from our hyper connectivity, however, the digital revolution is tumultuous, things can be lost or gained. A bad review could in a digital millisecond turn our image topsy-turvy. We, therefore monitor our guest reviews and initiate appropriate action promptly, while acknowledging the respondent.

Marketing and branding

Marketing and branding have been pivotal in reaping earnings during the year. In line with this, spending on marketing activities has been intensified, which in turn has had a knock-on effect on earnings.

The Hotel made a notable presence in a number of marketing and branding trade fairs during the year. This has had a profound effect in boosting our penetration in new markets, whilst strengthening our links with tour operators and industry officials looking for exotic destination.

The property continues to gain prominence amongst the international travel and tourism fore. We continue to be applauded in travel magazines and cyberspace. The experience of a genuine luxury resort stay has guaranteed us repeat guests.

Fair/ Summit	Host country	Type of event	Marketing/ Branding
LE Miami Fair – 2013	USA	Trade Fair	Branding
ITB Asia – 2013	Singapore	Trade Fair	Branding
World Travel Market – 2013	UK	Trade Fair	Marketing
DER Touristik Brochure launch	Germany	Brochure Launch	Branding
ITB Berlin – 2014	Germany	Trade Fair	Marketing

The Hotel participated in the LE Miami Fair – 2013, with the sole purpose of promoting the Fortress Hotel in the US, a market that we hadn’t broken into thus far. This has proved successful with the market generating substantial results during the last couple of months, which could only escalate in the future.

The hotel also attended ITB Asia 2013, for the first time and has been able to penetrate new Asian markets where it had not been represented before.

Awards and Accolade won by Fortress Resort & Spa

Well-planned and executed strategies and initiatives have been instrumental in securing a number of notable accomplishments during the year.

- World Luxury Spa Award
- Trip Advisor – Traveller’s Choice
- Leading Spa Selection
- Business Destinations – Best Luxury Hotel Award
- Crowns for Food Hygiene
- Trip Advisor – Service Excellence Award
- Trip Advisors – Travellers’ Choice Award for Luxury Hotels in Sri Lanka
- Trip Advisors – Top Hotels in Sri Lanka
- Trip Advisors – Travellers ‘Choice

Our Property - Excellence in Luxury

We are unapologetically sophisticated and classy in our taste and unashamedly boastful of our property.

With a rich heritage embellished, yet understated colonial aesthetic, our property commands reverence and allows for far more personality and variance of colonial flavours to be savoured. Pure, unfettered glamour, rather than mere cynically constructed facade.

Elegance and finesse are words that are conjured in your mind, as you walk through our commanding gates and along our corridors to the beautifully manicured gardens.

Fortress is no white washed, scrubbed-cheek tourist theme park where nature is kept at bay and corporate dullness rules. Its lusty and visceral and noisy, with awe inspiring hues and pastels and bending palm trees and huge heart and generous soul.

A sybaritic holiday resort that has become synonymous with excellence.

The Fortress remains a symbol of luxury among hotels in the country, the Indian sub-continent, and dare we say the whole world. Our expansive repeat customer base we believe is purely accredited to the exclusivity of our resort.

In order to capitalise on our distinct personality we spent Rs. 30 million this year towards enhancing guest facilities reflecting our commitment to give guests the ultimate luxury experience. We are planning to upgrade the guest rooms (interior) during the next year, at a cost of approximately Rs. 50 million and a further Rs. 40 million has been budgeted for repair and maintenance work of the Hotel.

All rooms were looked after very well through the 'Room Care Programme', especially in the off peak period. This is done on an ongoing basis and the interior of all guest rooms have been refurbished during the year. This continuous freshen up approach has proved successful in upholding the appearance and image of the Hotel.

Excellence in Product offering

Our passion for excellence is unquestionable. We recently introduced a new dining concept which has been arousing strong demand upon its launch. Sea view dining with a fully equipped teppanyaki table, is an exciting interactive Japanese dining experience that would impress even the most discerning of globetrotting connoisseurs.

Teppanyaki is patronised by our in-house guests as well as high net worth individuals in the locality. The opening of the new highway has seen many guests who refuse to pander to media-fed hysteria stopping by to experience for themselves cuisine so full of flavour that it struts across the palate and flings itself merrily down the throat. Like watching a skilled swordsman at work, the food is crafted to piscine perfection. Using exquisite culinary techniques and only the finest quality ingredients packed with flavours that zing and sing across the tongue, Teppanyaki is already hauling in high revenues.

The F & B area has been identified as a turning point for the next year. Last year we were able to recoup approximately Rs. 25 million of food & beverage revenues from outside guests. The success of the restaurants in the hotel has prompted plans to add another seafood restaurant at the Hotel. This will definitely contribute to F & B revenues in years to come.

Excellence in Service

We, at Fortress, strongly advocate and spare no effort in providing a "service par excellence". Our customer centric focus remains undiminished. Individual butler service has been implemented for all high paying room categories. Smooth functioning of the butler division was a priority of the hotel, an initiative that realised greater up selling with customers. We conducted a refresher programme, to strengthen our butler service, which recently received coaching from the Australian Butler Academy. This service we believe is on par with our counterparts in the world and is a strong advocate for success in repeat customers.

Our process improvements in technology go hand in hand to do everyday tasks faster and more efficiently. Our processes are specifically designed to capture the unique quality of Sri Lanka's finest in Service Excellence.

Management Discussion and Analysis

Financial Review

Actual Vs Budgets

Actual Vs Budgets			
	2013 / 2014		Favourable / Unfavourable
	Budget	Actual	
Revenues			
Accommodation	390,842,579	409,210,092	Favourable
Food	157,900,746	155,830,497	Unfavourable
Beverage	63,954,468	60,029,197	Unfavourable
Spa	23,383,241	25,456,360	Favourable
Sundry Revenues	31,512,148	30,020,015	Unfavourable
Total Revenue	667,602,182	680,546,161	Favourable

Revenue and Profitability

	Increase over previous year	2013/2014	2012 / 2013
Revenue (Including Other Income)	10%	680,546,161	617,764,787
Profit Before tax	28%	206,995,486	161,735,441
Income Tax **	272%	(30,107,067)	(8,100,721)
Profit After Tax	15%	176,888,419	153,634,720

** Hotel started paying income tax on operational profits from the year under review.

Revenue

In keeping with the trend of increasing revenues the Resort posted an impressive inflow of Rs. 680 million for the year under review, an increase of 10% against Rs. 618 million the previous year. This is the best ever revenue reported in the Hotel's history.

Web revenues showed robust growth in the year under review and the FRP was able to capture Rs. 22.3 million by means of the Hotel's own live booking engine over last year's figure of Rs. 14.3 million. Web revenue will plough in higher yields as there is no commission payable for these revenues, notwithstanding all other online agent revenues are subject to 8% to 15% commissions. Web revenue ranked in Rs. 89 million during the year under review against Rs. 63 million the previous year demonstrating a strong growth of 41% on year on year basis.

Other Revenue

The large and thriving expatriate community in the surrounding have opened up a market for high end dining. The Hotel generated close to Rs. 25 million in food & beverage revenues from outside guests in the year under review. With the expansion of the Southern Highway the Hotel has been able to capitalise

on the dual benefit of being in the strategic location of Koggala, and being the only high-end hotel in the locality. This close proximity to Colombo allures many locals searching for a great way to escape the city's bustle, and enjoy an exclusive and unique dining experience, whilst basking in a lap of luxury. Our Restaurants offer guests delectable cuisine in a picturesque, awe-inspiring surrounding. Theme nights and weekend promotions targeting high spending Colombo folk, have also supported this revenue.

Post-war, the previously inaccessible areas have been cleared. This, strengthened with the non-existent fear of terrorism, has seen a surge for excursions to Yala, Udawalawe, Kumana and Wasgamuwa national parks, rich in bio diversity and home to a number of endemic species of flora and fauna and wildlife, Mirrissa, fast becoming a sought after global destination for the sighting of the largest animal in existence, the endangered blue whale, Weligama, the surfers paradise, as well as visits to sacred, cultural and historical sites in the Island. This has heaved the Hotel's excursion and diversion revenues in the past few years. Excursion Income grew by 31% to stand at Rs. 7.2 Mn (Rs. 5.5 Mn) during the year.

Expenses

All direct expenses have amplified due to the escalating costs of rations and direct consumables, notably, fuel price increases due to geopolitical tensions in the Middle East. Power and energy has been an area of tremendous upsurge with government price hikes in electricity, diesel and gas leading to rocketing power and energy cost. Energy costs have spiralled by nearly Rs. 6 million for the year, an almost 14% increase and this cost will lead to a dampened business climate in years to come. The energy cost in the year under review was the highest recorded for the hotel in past 8 years.

Similarly, Administrative expenses too, saw a rise, by approximately Rs. 18 million, due to the liability of Nation Building Tax and TDL. Payroll cost increased by almost Rs. 10 million, leading to an increased salary bill of nearly 14%, due to an increment to minimum wages by the government at the beginning of the financial year. A concerted web marketing campaign, brand enhancement expenses, and the development of a variety of e-commerce marketing channels drove up the Distribution Costs.

Finance Cost eased by Rs. 12 million compared to the previous year with the repayment of bank loans facilitated by excess funds generated from operations.

Profitability

The Group has concluded the year under review with excellent results. Group profitability has increased by an admirable Rs. 23 million to Rs. 177 million after tax from Rs. 154 million recorded the previous year. This increase of 16% over the previous year, buttressed Earnings Per Share by a similar percentage of 16%.

Assets and liabilities

The Hotel enhanced its property asset base substantially during the year by exerting a spend of approximately Rs. 30 million in the form of capital expenditure.

Consequent to repayment of bank loans with additional capital payments, the Hotel has efficiently managed its Long Term Liability position. Bank loans have come down by Rs. 279 million and the Long Term Loan base lessened to Rs. 45 million by 31st March 2014 from Rs. 324 million at the end of the last financial year. It is eminent that the Hotel will reach a debt free status in the near future benefiting the share holders in the years to come.

The FRP boasts of a strengthened Current Ratio of 2.1 times from 2.4 times in the year under review.

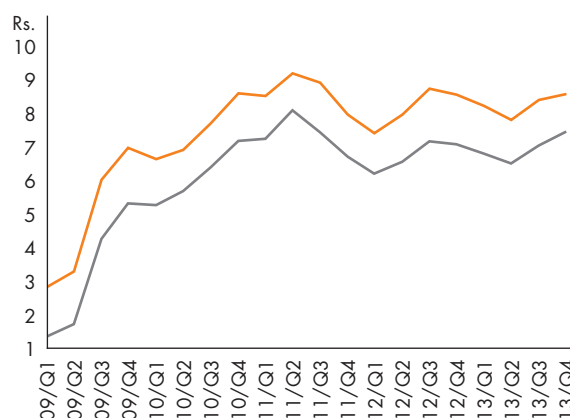
Liquidity

Our thriving business has seen us move into the position of having considerable cash reserves compared to previous years. We were able to wipe out our total accumulated losses in the previous year (2012 / 2013) and the reached a positive accumulated revenue reserve level during the year under review. The Hotel's Balance Sheet boasts of a Rs. 106 million positive Revenue Reserve and Total Share Holder Funds have soared to Rs. 1,215 million from Rs. 1,038 million in the previous year.

Share Information

	2013/2014	2012/2013
Highest Market Price (Rs.)	17.90	22.10
Lowest Market Price (Rs.)	12.70	10.50
At the end of the FY (Rs.)	13.30	15.00
Market Capitalisation (Rs. '000)	1,474,793	1,663,300
Earnings Per Share (Rs.)	1.60	1.39
PE ratio (Times)	8.35	10.83

Share Price Performance



Management Discussion and Analysis

Future Outlook

The Sri Lanka Tourism Strategy for the period 2011 to 2016, launched in November 2011, aims to welcome 2.5 million arrivals by 2016.

The global life style segment is increasingly becoming more demanding as customers crave unique travel destinations, which reflect the local flavor. In the face of global competition and the influx of tourist to the country establishing a product offering that compares favourably, is competitive with and is recognised globally is of utmost importance.

As a luxury hotel in the area we are always thinking out of the box and looking for new avenues to amaze our customers. We are constantly raising the bar on our level of service and standards.

In this context we continue to benchmark ourselves internationally and invest in our brand and assets, enhancing their value to the end that 'Fortress' would emerge as the desired brand regionally as well as globally.

The experience you enjoy at our Hotel is uniquely yours, and uniquely Fortress.



The Fortress Residential Suite is truly world-class. With a private pool and spacious areas in which to relax and unwind, the suite showcases the epitome of style and luxury. The sumptuous surroundings were created to cater to those who appreciate the finer things in life.



Sustainability Report



"Sustainability is a byword at our resort and unpins our ability to deliver the expectations of responsible tourism to our discerning guests. Our overall ethos embodies sustainability. It is etched in everything we do."

Report Content

For the first time the Fortress Resort & Spa releases its Sustainability Report prepared in accordance to the Global Reporting Initiative (GRI) standards, as far as possible, to reflect our commitment towards sustainability. This report provides information on the Resort's sustainability performance for the period ending 31st March 2014.

Scope & Boundary

In the financial year under review, FRP has selected 3.1 Level A GRI performance indicators on the basis of materiality for reporting purposes. These indicators cover economic, environmental and social performance during the year under review.

The report covers the Company (The Fortress Resorts PLC), and its wholly owned subsidiary Company "La Forteresse (Private) Limited", being the legal entities for which the Company is accountable for and over which the Company has direct control.

Our Approach

We at Fortress Resorts PLC firmly believe in enhancing the lifestyles and contributing a positive impact on the individuals and the community within which we operate while trying to reduce our impact on the environment and create value to all our stakeholders. In line with the above our management has vigorously undertaken many projects and put in place procedures and policies to make this vision a reality.

We at Fortress Resorts PLC support the initiatives taken by our nation to adhere to sustainable environmental policies such as the Policy on National Cleaner Production and National Policy on Climate Change that provide guidance and direction to address the adverse impacts on the environment.

Company Profile

The Fortress Resorts PLC ("the Company") is a public limited liability Company incorporated and domiciled in Sri Lanka. The ordinary shares of the Company are listed on the Colombo Stock Exchange of Sri Lanka. The registered office of the Company is located at Level 27, East Tower, World Trade Center, Colombo - 01 and the principal place of business is situated at Koggala.

The Consolidated Financial Statements of the Company for the year ended 31 March 2014 comprise the Company and its subsidiary (together referred to as "the Group").

The Company has invested in its wholly owned subsidiary Company "La Forteresse (Private) Limited".

Awards & Accolades

We have been showered with a wave of awards and accolades during the reporting year. This just goes to endorse the fact that we are making the right impression on our customers and is testament to our commitment for even greater sustainability standards.

Local and International Awards & Recognitions

Award Name	Received for	Award validity Period	International/ Local
Crowns for Food Hygiene	Food Hygiene	29 April 2014	Local
World Luxury Spa Awards – 2014	Best Luxury Resort Spa	2014/15	International
Trip Advisor Traveller's Choice – 2014	Travellers Choice	2014/15	International
"Leading Spa Selection"	Wellness & Spa	November 2013	International
Business Destinations – Travel Awards 2013	Best Luxury Hotel, Sri Lanka	2013/14	International
Trip Advisor - Certificate of Excellence	Service	2013/14	International
Trip Advisor - Travellers' Choice	Luxury Hotel in Sri Lanka	2013/14	International
Trip Advisor Travellers' Choice	Top Hotels in Sri Lanka	2013/14	International

Sustainability Report

Partnerships / Memberships maintained by the Fortress PLC

The FRP is a member of a number of associations as listed out below. The partnerships we have forged with these key industry stakeholders only serve to enrich our role as a sustainable entity. We are conscious to maintain and strengthen our sound relationships with these associations

- Ceylon Chamber of Commerce
- Tourist Hotels Association of Sri Lanka
- Sri Lanka Tourist Development Authority
- Sri Lanka Institute of Tourism & Hotel Management (SLITHM)
- Employers' Federation of Ceylon
- Southern Hoteliers Association
- National Apprentice Board (NAB)

Stakeholder Engagement

The FRP identifies its stakeholders, who exert an influence on and are influenced by the Hotel, as customers, employees, business partners, communities, shareholders, environment, government and legal and regulatory bodies.

All our energies and efforts have been channeled towards ensuring every facet of our business is nurtured. We ensure that we create a proactive engagement milieu that will enhance dialogue and have a positive impact on all our stakeholders. We conceptualise a future where all our stakeholders grow with us, propelling our growth momentum whilst embracing greater sustainability.

Current levels of engagement with these groups are described in the table below.

	Stakeholder	Importance	Engagement	Frequency	Topics
Keep satisfied	Customers	Customers are the main contributors to revenue generation and long term viability of a company. We maintain a continuous dialogue with all our customers to ensure customer satisfaction is optimised.	<ul style="list-style-type: none"> • Foreign trade fairs • Guest reviews (Trip Advisor) • Company website • Social media • Guest comment cards • Social media • Advertising and promotions 	Regularly	<ul style="list-style-type: none"> • Customer satisfaction • Complaints • Payment reminders • Awareness on new products
	Employees	Employees are the Hotel's greatest asset. At FRP, we believe in a culture that fosters their growth in tandem with the Hotel's growth.	<ul style="list-style-type: none"> • Investment in training & development • Employee recognition & rewarding • Performance evaluation • Internal communication, i.e. meetings, circulars 	Regularly	<ul style="list-style-type: none"> • Work Performance • Remuneration • Retirement Benefits • Training • Employee Welfare • Grievances • Career opportunities
	Communities	We promote responsible tourism and maintain strong bonds with the local communities, i.e. interaction with local produce farmers, three wheeler drivers, arts & cultural performers etc	<ul style="list-style-type: none"> • CSR programmes, i.e. community related activities • Sponsorships • Arts & cultural activities • Educational programmes 	Regularly	<ul style="list-style-type: none"> • Opportunities to supply produce to FRP • Opportunities to supply services to FRP • Career opportunities

	Stakeholder	Importance	Engagement	Frequency	Topics
	Business Partners	Local and international tour operators facilitate business, thus FHP fosters strong relationships with these groups	<ul style="list-style-type: none"> Foreign trade fairs Reviews Company website Social media Advertising and promotions 	Regularly	<ul style="list-style-type: none"> Customer satisfaction Complaints Payment reminders Awareness on new products
Key Player	Shareholders	This stakeholder group is pivotal to the sustainability of the Company. The FRP engages in strong dialogue with them keeping them abreast of operations, decisions, events and performance of the Company	<ul style="list-style-type: none"> Annual Report Annual General Meeting Quarterly Statements Financial disclosures to the CSE Market Reports Press Releases 	Annually Bi-annually/ Quarterly As and when needed	<ul style="list-style-type: none"> Operations & sustainability Performance Profitability Dividends Future plans
Keep Informed	Legal and regulatory bodies	With the aim of good Governance and prudence, we align all our activities to the regulatory framework set by these groups.	<ul style="list-style-type: none"> Holding memberships and participation in the aforesaid associations; Inland Revenue Securities & Exchange Commission Colombo Stock Exchange, Ceylon Chamber of Commerce Employers' Federation of Ceylon Tourist Hotels Association of Sri Lanka Sri Lanka Tourist Development Authority etc. Periodic disclosure 	As and when needed	<ul style="list-style-type: none"> Compliance with regulations Clarifications on rules Social affairs
Keep Informed	Sri Lanka Government	The Sri Lankan Government demarcates the regulatory boundaries within which we operate	<ul style="list-style-type: none"> Discussions Periodic disclosure 	As and when needed	<ul style="list-style-type: none"> Taxation
Minimum Effort	General / Public and Media	These groups exert an influence, which is often underestimated. We at FRP engage and disseminate information to the public and media in order to maintain and enhance our image and reputation.	<ul style="list-style-type: none"> CSR programmes, i.e. community related activities Press conferences Networking Social Media Periodic disclosures 	As and when needed	<ul style="list-style-type: none"> Performance of the Company Future plans Community needs

Sustainability Report

Triple Bottom Line

We have made important progress in our three pillars of sustainability; economic, environmental and social performance.

Key Challenges, Risks and Opportunities

Indicator	Challenge	Opportunity	Risk
Economic	<ul style="list-style-type: none"> • Lingering recession in Europe • The pace of which infrastructure is developed is behind the industry demand • Inflation due to depreciation of LKR against US\$ • Regional and short haul travel becoming popular 	<ul style="list-style-type: none"> • Growth in international tourist arrivals • Improved business culture in Sri Lanka • Concentrating on niche markets which are more lucrative 	<ul style="list-style-type: none"> • Persistent economic recession in Europe can hinder the expected growth in tourism • Increase in cost structure due to inflation and the change in market dynamics
Environmental	<ul style="list-style-type: none"> • Striking the balance between business profits growth and sustainable growth • Consumers seeking more green • Travelers looking for more meaningful experience • Increased industry benchmarks on green products 	<ul style="list-style-type: none"> • Improving and extending the product content and supply chains that are aligned with sustainable tourism • Diversify the product portfolio to capitalise on Sri Lanka's rich bio diversity • Obtaining accreditation of global tourism industry certification bodies for sustainable management and growth, e.g. Green Globe 	<ul style="list-style-type: none"> • Damage to the marine and terrestrial wildlife habitats and wildlife due to over visitation • Shoreline erosion due to excessive usage of boats • Unsustainable use of local natural resources for construction of tourism facilities
Social	<ul style="list-style-type: none"> • Lack of skilled labour due to competition • General tendency in Sri Lanka to view tourism and related activities as having solely negative impacts on society 	<ul style="list-style-type: none"> • Rural community participation through projects aimed at developing the livelihood of rural community • Creating opportunity for rural community to engage in tourist related activities that will enhance their earnings • Providing formal training to the rural community and encourage them to join the industry by opening job opportunities for them • Promote responsible tourism 	<ul style="list-style-type: none"> • Increased number of tourists resulting in negative cultural impact due to unawareness of local customs and traditions • Increased influx of tourists may cause a potential threat to local communities, i.e. STD's and drugs

Environmental Performance

Our commitment to the environment goes beyond simply rhetoric to action. We are striving towards obtaining accreditation of the global tourism industry certification bodies for sustainable management and growth, e.g. Green Globe.

Energy Consumption

There is no doubt that sustained growth of an entity is not possible without considering its environmental impact on the community. Developed and underdeveloped countries are addressing future environmental concerns and climate change and as a result it has become important for companies to incorporate sound environmental strategies in their corporate standard of operations, procedures and policies. Therefore, governments as well as companies across the world need to consider the environmental aspect in operating a viable and successful long-term business

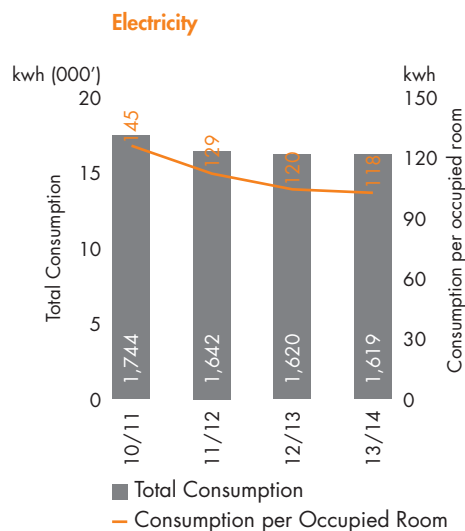
We fulfill our energy requirements through a combination of electrical power, LP gas and Diesel power sources. As the predominant energy source, electricity plays a critical role in determining the strength of our environmental footprint.

The tables below depict the energy consumption and utilisation of the Hotel for 2013 / 2014.

Electricity

Electricity is the main contributor to the carbon emissions of the Hotel. We at FRP have, however, turned the tables. Even with increased occupancy, the overall energy consumption has decreased compared to the previous years due to improving the efficiency of equipment and buildings and other various energy saving initiatives implemented coming into play.

Year	Total Consumption (kwh)	Consumption per occupied room (kwh)
2010 / 2011	1,744,458	145
2011 / 2012	1,642,105	129
2012 / 2013	1,620,130	120
2013 / 2014	1,618,923	118



Lighting and cooling systems account for over 70% of the total electrical units consumed, underpinning the importance of managing usage. We have introduced a range of energy efficient solutions to manage and control our electricity parameters.

We have made a concentrated effort to increase awareness and educate employees on the importance of following energy efficient practices at all times.

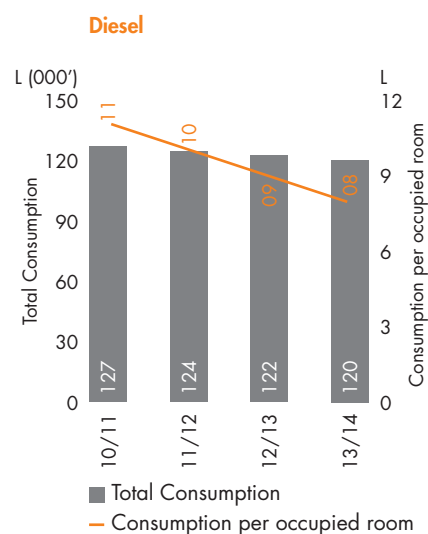
- The use of dimming regulators wherever possible.
- Optimising the use of natural lighting with skylights.
- Sourcing new energy efficient equipment to support the central air conditioning system, resulting in a dramatic reduction in the number of electricity units consumed.
- During the year, most public areas of the hotel were equipped with energy efficient LED lighting solutions. A notable reduction in the units consumed was observed comparative to the demands of the high energy consuming incandescent bulbs.

Sustainability Report

Diesel

Diesel is used primarily as an energy source to power our laundry boiler and stand-by generators, in addition to powering the fleet of transport vehicles. As an endeavour to minimise our usage we have adopted the practice of functioning the diesel-powered generator on alternate days as it is imperative that our conservation efforts are developed in cognizance with the growing global concern over rapidly depleting renewable energy.

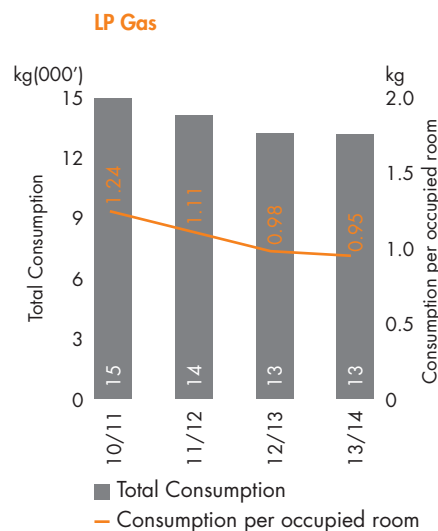
Year	Total Consumption (litres)	Consumption per occupied room (litres)
2010 / 2011	126,850	11
2011 / 2012	124,391	10
2012 / 2013	122,541	09
2013 / 2014	120,212	08



LP Gas

LP gas is predominantly used to power the kitchen equipment. Over the years, our efforts to reduce the consumption of this resource has led to greater control of wastage through the introduction of new technology and revamping the kitchen equipment. We are already seeing the results of the new equipment installed, which is geared to minimise the usage of LP gas through an efficient heating process.

Year	Total Consumption (kg)	Consumption per occupied room (kg)
2010 / 2011	14,920	1.24
2011 / 2012	14,059	1.11
2012 / 2013	13,198	0.98
2013 / 2014	13,117	0.95



We at Fortress PLC are dedicated to ensuring that the ecological impacts of economic activities are sustainable. We are determined to minimise our carbon imprint on the environment and have put into place measures to reduce our consumption of depleting resources whilst ensuring that our service quality is not compromised. We solicit all employees to embrace the "waste not want not" culture.

Reduce, Reuse and Recycle

In our quest to reduce consumption of natural resources, we have embarked upon Reduce, Reuse and Recycle processes. Resource management reduces the negative impacts to the environment whilst maintaining ecological balance as well as having a positive impact on the conservation of nature. In light of this, Fortress Resorts PLC practices a number of green projects.

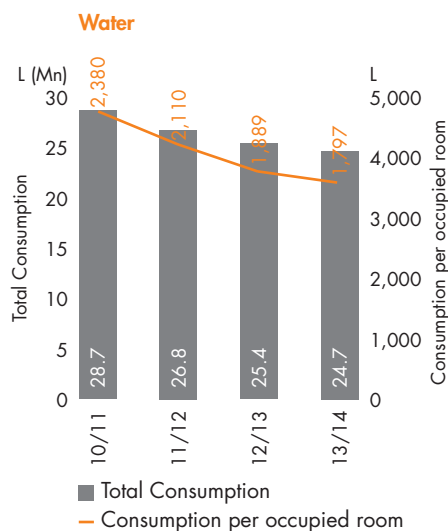
Water Management

With the primary goal of increasing our water positivity, i.e. to give back more water than extracted from the environment, we have put in to place a water treatment system.

The hotel owns and operates a fully equipped sewerage treatment plant. Water, which is a by-product of the recycling process, is utilised for gardening purposes. This has resulted in the reduction of the hotel reliance on the city's water consumption as well as significantly minimised the wastage and consumption of water resources. During the year under review the resort has utilised 150,000 litres of recycled water. We are continuously engaged in refining and fine tuning our water treatment systems to enhance the functional quality of treated water, thereby enabling it to be re-used across a broader range of operational areas.

Water Consumption

Year	Total Consumption (litres)	Consumption per occupied room (litres)
2010 / 2011	28,700,000	2,380
2011 / 2012	26,763,000	2,110
2012 / 2013	25,424,000	1,889
2013 / 2014	24,683,000	1,797



We have made a conscious effort to eliminate unnecessary water usage and minimise wastage. To serve this goal, all public urinals at the resort are equipped with motion sensors to minimize the wastage of water. To further streamline our system and trim off inefficiencies, all key areas are equipped with independent water meters, thereby enabling us to monitor water usage in each area. Any abnormalities are investigated and prompt action is initiated to rectify weak points and leakages that may cause and unregulated waste of water.

Solid Waste Management

Waste management at the hotel is two pronged. On the one hand solid waste is reused, recycled, composted or recovered whilst on the other employees are encouraged to be thrifty without hindering our service quality.

All garbage is meticulously sorted, with plastics and glass being diverted for external recycling. A major portion of our waste comprises of food waste of which the wet garbage is channelled to a local piggery as animal feed. All remaining food waste, other than wet garbage is sent for composting. This is disposed of daily and is converted to carbonic fertilizer for agriculture and farming purposes. The process has been outsourced to a local contractor who is paid a monthly payment for his services. Both these initiatives have proven to be a tremendous success, as evidenced by the dual benefits that have ensued, not only in promoting ethical waste disposal but also in support of our local community engagement initiatives. The above green project has created employment opportunities for individuals in the community.

Sustainability Report

Carbon Footprint

FRP is continuously looking for avenues to manage and reduce its emissions and mitigate its carbon footprint as can be seen by the results achieved in our environmental green efforts above.

We instill this ideology in the mind-set of all our employees so that the eventuality would be minimum imprint on the environment.

We strive to inculcate this philosophy throughout our Hotel and educate guest about the need for this. Our guests are encouraged to actively participate in our efforts to achieve a lighter carbon footprint. Notices are posted in all guest rooms encouraging them to avoid unnecessary waste of electricity by turning off lights and electrical equipment when not in use. Notices placed in the bathroom create awareness on how guests can minimize water usage and wastage.

Promoting Environmentally friendly Products

The growing perception of eco-tourism has given rise to a new breed of global travelers, those in search of the ultimate eco-friendly destination. Our customers are always looking for 'Greener' products. We at FRP embraced the principles of "Eco-tourism" long before it became fashionable in Sri Lanka. Right from the very inception, the fundamentals of "Going Green" have been enshrined in our core value culture.

Compliance with Environmental Rules and Regulations

Growing concern over the rapid depletion of renewable energy sources has triggered an upsurge in global environmental laws to curb the uncontrolled plundering of these resources and conserve the environment from degeneration.

The FRP has never been fined or levied monetary or non-monetary sanctions for non-compliance of environmental laws and regulations in Sri Lanka.

Our People

FRP values its employees and considers them our greatest asset. They are the drivers that steer us towards our ultimate goal, "Service par Excellence". This is what makes us a cut above the rest, a leader in the industry, a trend setter, setting the benchmark for our competitors both locally, regionally and globally.

The FRP is a preferred employer in the country's hospitality trade and this maintains our attrition rates below industry standards.

Human Resource Developments

Employee Evaluation and Rewards System

The hotel has an ongoing evaluation process of rewarding the staff on their performance. At the end of each quarter of the financial year the employees from the various departments who have significantly contributed to the overall growth of the resort are recognised and rewarded with cash awards and certificates.

Employees are evaluated annually in order to decide on annual salary increments and performance based bonuses. The hotel's objective is to maintain salary scales on par with industry averages. During the year under review the hotel paid two months' salary as an ex-gratia payment for its permanent staff members and one and half months salary for staff on contract and probation.

Fortress Resorts PLC is proud to say that the hotel average service charge for the last year was 26,009/-.

Year	2013/2014 Rs.	2012/2013 Rs.
Average Salary per staff member per month	18,166/-	12,950/-
Average Service charge per staff member per month	26,099/-	24,689/-
Average total earnings per staff member per month	44,265/-	37,639/-

Staff Training & Development

We at Fortress believe that highly trained knowledgeable staff is key to our success. As such human resource development is an integral and primary ingredient of our growth strategy. The HR department identifies the training needs and requirements of staff members and tailor-makes programs to suit the specific need. As one of the finest boutique resorts in Sri Lanka, Fortress Resorts PLC prides itself and is committed to maintaining and providing a high standard of service.

Internal Training

As part of our ongoing people development initiative, we continue to up-skill our staff and instill in them confidence, flair and finesse, tooling them to deliver superior service. Training in greetings, complaint handling, telephone handling and grooming are given across the board covering all operational and non-operational areas.

Language Skills

The Hotel has implemented a training programme to educate and enhance the fluency and language skills of its front line staff members in order to ensure an effective interaction with valued guests. In the financial year under review a total of 146 English lecture hours have been conducted for the staff at a cost of Rs. 146,000/-. The above investment in staff shows a marked increase from the previous years investment in language training of 136 lecture hours for the cost of Rs. 136,000/-.

High Standards of Service

During the year the hotel invested in the training of all front line supervisory staff. A renowned trainer in the hotel industry who conducts similar programmes abroad for large hotel chains conducted this programme. A total of 492 training man hours were allocated and utilised for this programme. The total expenditure of the training program was a total of Rs. 250,000/-.

External Training

With the objective of having a highly trained knowledgeable work force in par with international standards the management is considering cross training activities throughout sister properties across the Group. During the coming year the management plans on broadening staff exposure by giving them the opportunity to be a part of foreign training programmes.

Our butler service having recently received coaching from the Australian Butler Academy is on par with counterparts in the world. We will continue with refresher training programmes for this service.

Medical Benefits

Commencing from the year 2012, Fortress Resorts PLC has provided Surgical & Hospitalisation insurance coverage for its entire permanent staff members. This facility is applicable for 135 staff members who are currently permanent employees of the hotel. The coverage has been granted for three staff categories, namely, staff, supervisory and manager. The latter two grades are entitled coverage under the policy for family members as well. During the year under review the hotel has incurred Rs. 2.2 million for this facility and subsequently the staff has utilised medical facilities and reimbursements during the year to the value of Rs. 1.6 million.

Corporate Responsibility

The rules and regulations imposed on FRP and its level of compliance is stated in the Corporate Governance Report.

The FRP strictly adheres to all relevant standards, regulations and legal requirements voluntary as well as mandatory stipulated by the Government and other regulatory bodies.

The FRP abides by all the guidelines issued by the Chartered Accountants of Sri Lanka, the Securities & Exchange Commission and the Listing rules of the Colombo Stock Exchange. The compliance in this regard is discussed in detail under the Corporate Governance section of this report.

The FRP is transparent in all its activities. Taxes, duties, and levies payable by FRP and all contributions, levies and taxes payable on behalf of and in respect of employees of the FRP and all other dues as were due and payable have been paid or provided for.

All statutory payments due to the Government have been made or where necessary provided for. Retirement gratuities have been provided for in accordance with the Sri Lanka Accounting Standards and Sri Lanka Financial Reporting Standards.

There were no material issues pertaining to employees or industrial relations during the year, nor penalties or monetary reprimands imposed on the FRP as a result of any breaches of rules and regulations.

Anti Corruption

We at FRP do not condone or tolerate any form of corruption, whether it be bribery or fraud and uphold the highest principles of corporate governance. We strive to be fair, ethical and legal in all our activities and operations and pursue best business practice.

Product Responsibility

Customer feedback is paramount in gauging customer satisfaction levels.

We at FRP continuously strive to enhance our customers' experience. Guest comment cards as well as electronic feedback is collated processed and analysed. Acknowledgment are sent to the customer/respondent, while the issue is addressed immediately by way of discussions with the relevant parties concerned and prompt corrective action is initiated.

Sustainability Report

With the ever-increasing influence of online reviews, the Hotel regularly monitors guest reviews, rankings and recommendations on online travel websites.

Continuous training is carried out to ensure that staff at all levels are empowered to deliver the highest standards of service. We are constantly working towards obtaining global certifications based on our service and product offering.

Health and Safety

Employee Safety

We exert every effort to ensure our employees are provided with a safe working environment.

During the year there were no major reports of injury to our staff and the Lost Day Rate is negligible.

Customer safety

This is paramount in any business environment. We at FRP are ever vigilant that the customers have a safe environment at all times and any exposure to adverse eventualities mitigated.

Social Responsibility

Youth Career Opportunities

The FRP Internship programme aims to be a value creator for the youth community, empowering youth, developing the skills and competencies that are transferable to the hospitality and related industries. Armed with these skills, youth participants benefitted through increased self esteem, self-confidence, self-reliance, self-respect and broader career options. This will lay the foundation for a sustainable resource pool, an asset to hoteliers across the nation.

The hotel has tied up with the Sri Lanka Institute of Tourism & Hotel Management (SLITHM) and National Apprentice Board (NAB) to provide its students internships at the hotel as part of their curriculum. During the year the hotel has trained 10 students from SLITHM for a period of six months on a full-time basis.

During the past financial year the hotel has provided internship opportunities to a further 10 trainees from NAB in order to assist these students to fulfill the criteria of full time training for a period of three years for them to get the relevant certifications needed. The trainees are provided with meals, accommodation, uniforms and an attractive monthly allowance for the duration of their apprenticeship. Upon successful completion of their

apprenticeship with FRP, these SLITHM and NAB graduates are afforded the option of contractual employment with FRP.

Community Projects

Fortress Resorts PLC has undertaken many CSR Projects in its constant endeavor to enhance and support the community. Throughout the previous years as well as the year under review the resort has assisted and supported the educational and infrastructural needs of students in the community.

The Hotel has sponsored and carried out many activities and projects in the Habaraduwa Divisional Secretariat. These include the donation of schoolbooks to underprivileged children, organisation of a fun-filled festival for pre-school children to celebrate the dawning of the Sinhala & Tamil New Year, as well as for the teachers in appreciation of their commitment and dedication to this noble vocation. In the past financial year the hotel has invested Rs. 200,000/- on the above education related projects.



Sponsoring School Books

We are proud to state that for the seventh consecutive year the Company has launched and implemented the “FRP Future Learners” programme, whereby we have been able to present the children of permanent staff members gift vouchers for the purpose of purchasing school books, to the value of Rs. 262,000/-, an increase from the previous year’s allocation of Rs. 200,000/-.

Promoting and Sustaining Local Small Industries

We strongly believe in regenerating and uplifting the livelihoods and living standards of the local community. This will provide the local people with a regular source of income and a further impetus for development. We see this as a mutual beneficial relationship.

Fruit and Vegetable Farmers

With the objective of improving economic welfare by enhancing the income of local fruit and vegetable farmers, the Hotel has put in place a policy to benefit the aforementioned. The bulk of the Hotel fruit and vegetable requirements are sourced from local suppliers in the village and surrounding areas. Wherever possible, the Hotel emphasises the sourcing of organic fruits and vegetables in order to provide the highest possible standards of service to its guests. During the year under review the financial expenditure incurred on local fruits and vegetables was Rs. 3,617,053/- and Rs. 2,911,105/- respectively.

Dairy industry

The Resort’s substantial demand for dairy products is met by dairy farmers within the community, which results in the rise of the economic welfare of these farmers on one hand, and on the other, the guests and staff can relish, fresh and nutritious dairy produce.

Bee’s Honey, Kitul and Jaggery farmers

The above organic produce is supplied by small-scale home industries in the area. Whilst ensuring our guests have the highest quality produce the hotel has carried out an ongoing practice of promoting and sustaining small home industries, thereby, creating opportunities for employment within the community. During the year under review the hotel has purchased Rs. 772,500/- worth of bee’s honey, honeycombs and jaggery from these suppliers.

Horticulture

The plush sophisticated interiors of the Fortress Resort PLC, the halls, corridors and resplendent rooms are adorned and decorated with a variety of fragrant fresh flowers. Bouquets and vases filled with fresh flowers are a must at special events and functions held at this 5 star venue. Both local and up-country growers supply these flowers. During the year under review the Hotel has contributed an income of Rs. 284,334/- towards the procurement of water lilies, the national flower of Sri Lanka, thereby, directly creating an additional source of income, sustaining small-scale entrepreneurship and creating and maintaining goodwill between the hotel and its environment.

Handicrafts

With the objective of promoting and creating a demand for Sri Lankan handicrafts, the Hotel is supporting local craftsmen by procuring their wares for resale via the hotel boutique and as tokens of appreciation presented to guests.

We encourage our guests to patronise these cottage industries, via specially organised tours, handicraft workshops etc. In making sure that local handicrafts are interlinked to the FRP brand, we have tastefully woven these inimitable artifacts into the hotel décor as well.

Guests who hold their wedding celebrations at Fortress Resorts PLC are presented with a handcrafted wooden stilt fisherman a common sight along the beaches of Sri Lanka. In the year under review the Hotel has purchased a quantity of 400 wooden carving of stilt fishermen from the local craftsmen at a total expenditure of Rs. 340,000/-. During the past Christmas and New Year festive period alone (21st December 2013 to 07th January 2014) the Hotel has presented 200 wooden carvings as tokens of appreciation to their valuable guests who have experienced and enjoyed the Resorts exemplary service.

The Hotel boutique has a wide array of exquisitely carved ornaments reflecting generations of skill handed down by father to child. These are available to in-house guests and visitors who wish to purchase a souvenir of their memorable stay in the country. These ornaments include many indigenous handicrafts, paintings, reed ware and other handcrafted ornaments provided by local artists.

Sustainability Report

We are heartened to note that our contributions have significantly enriched the lives of the local entrepreneurs. During the year under review the significant contribution the Hotel has made towards the revenues of local artists is reflected in the following table.

Artists	Revenue Distributed in 13/14 Rs.	Revenue Distributed in 12/13 Rs.
Handicrafts	550,967/-	950,321/-
Paintings	3,189,750/-	1,589,475/-
Reed ware	250,709/-	18,325/-
Others	3,349,070/-	3,865,039/-
Total	7,340,496/-	6,423,160/-

Promoting Cultural Awareness

Arts and craft, traditional dance and local culture act as a cohesive force in keeping Sri Lanka's illustrious and historical past.

The Hotel promotes and sustains Sri Lankan culture, namely, the art of traditional dance by organising exhibitions and cultural shows at the hotel.

In doing so, we enlist the services of a diverse range of local acts available in the area. Our weekly schedule is the ideal stage for these performers to showcase their talents to an international audience. In addition to enhancing their livelihood we are indeed proud that a few of these performers have received international exposure via sponsorships received from our guests.

The variety of Theme Nights at the Hotel, are accompanied by cultural shows and performances that bring age old art forms to breathtaking life. In addition performers are hired when the hotel hosts special delegations and events. During the year under review, Fortress Resorts PLC has recorded expenditure towards the above of Rs. 1,350,000/-, a slight increase from the previous year (2012/2013) of Rs. 1,280,000/-.

Tour Operators & Local Guides

The Hotel management in partnership with the Three Wheelers and Taxi Drivers Association of the area has implemented a safe, convenient means by which hotel guests can take in the sights and sounds of the island tours to Galle and Matara cities.

We engaged the services of the local tour guides and area resident three wheeler transport operators to provide our guests with an easily accessible and affordable option for local travel under the supervision and coordination of Hotel staff.

The following table records the revenues contributed by the hotel to the association over a period of three years, as a result of the implementation of the above-mentioned procedure.

Year	2013/ 2014	2012/ 2013	2011/ 2012
Number of hires given	2,828	2,800	2,100
Revenue Recorded (Rs.)	6,865,978/-	6,168,000/-	3,278,100/-

It must be noted that resident guests have the opportunity to deal directly with the Three Wheeler and Taxi Drivers Association in order to arrange tours independent of the Hotel. As such, there is a significant additional income earned as a direct result of the operations of the Hotel, which is not represented in the above table.

Economic Performance

Value Addition to the Economy

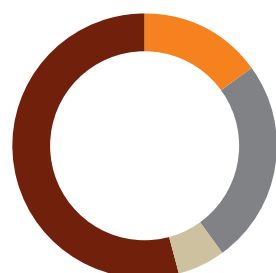
The FRP's contribution to the Economy in terms of value addition is a marked rising trend. As amply showcased in our report, we continue to create wealth for our stakeholders.

The Hotel contributed Rs. 35 million, a 13% growth compared to the previous year's value addition of Rs.264 million for the financial year 13/14.

The value addition was distributed as follows:

Distribution	2014 (Rs. '000)	2013 (Rs. '000)	2012 (Rs. '000)
Employees	84,264	80,822	66,813
Government	137,027	102,920	76,425
Providers of Capital	35,297	51,907	49,521
Retained for future expansion & growth	299,197	263,904	192,783

Value Addition 2014



Employees	15%
Government	25%
Providers of Capital	06%
Expansion & growth	54%

Value Addition 2013



Employees	16%
Government	21%
Providers of Capital	10%
Expansion & growth	53%

A greater part of the value addition has been utilised for expansion and growth of the Company, ensuring sustainable operations growth into the future.

Likewise value distribution to all other stakeholders has also witnessed an increase due to the heightened performance of the Company, ultimately ensuring that sustainable wealth creation is permitted to our shareholders

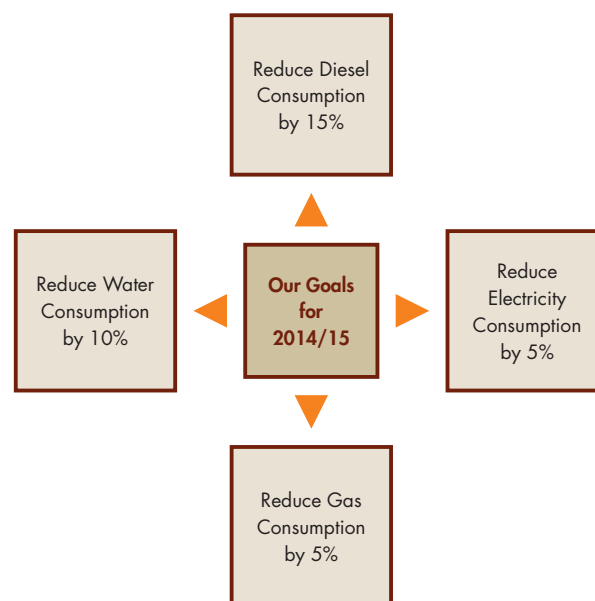
Defined Contribution plan obligations (EPF & ETF)

Rs. '000s	2014	2013	2012
EPF	7,574	6,477	5,961
ETF	1,894	1,619	1,490

Defined Benefit plan obligations (gratuity)

Rs. '000s	2014	2013	2012
Gratuity	1,925	2,147	204

Our Goals for the year 2014/2015



Sustainability is embedded in all our activities. We venture into the future a viable, successful operation, respecting and understanding the importance of sustainable development working in synergy with its staff, customers, community and environment.

The Hotel is fashioned in the style of a strong fortress emulating every facet of our very being. Our walls rise up from the ground, weathered by strong winds and the scorching sun. These forces, however, do not deter us nor, beat us down but make us stronger. Just like our walls we stand unfaltering against the external forces that challenge us, with a sturdiness that screams "sustainability". We can take anything mother nature or society throws at us and still emerge, if not smiling, then at least unscathed.

Overlooking the pool and the picturesque view of the azure ocean, the bar is definitely a place to let your cares drop away. Enjoy a stunning sunset for which the island is famed, or just take in the sights, sounds and smells of island life while perched on one of our quirky yet comfortable hanging chairs. A cool & chic ambiance, created with you in mind.



Risk Management

In the context of ever changing guest preferences, a competitive industry environment and emergence of local and global regulatory requirements, The Fortress Resorts PLC, continued to refine its risk management systems during the year under review. The risk management culture that has been cultivated ensures that risk management activities are embedded across the business. This has led to a better understanding of key risks, encouraged the sharing of best practices across the group and reduced the overall cost of risk. Our risk management process is an essential element of our responsible business ethic, balancing the requirement for safeguarding assets with opportunities to create value for our stakeholders.

The Board assumes responsibility for ensuring the effectiveness of the Group's risk management process and internal control. The Board Audit Committee while ensuring internal control adequacy also obtains assurance from the management that identified risks are being mitigated. Board Audit Committee reviews the risks identified, risk ratings and mitigation action plans formulated by the hotel. The outsourced internal audit team separately responsible for providing assurance, identifying vulnerabilities and proposing new or improvements to existing internal controls across the Group, provide reports on the internal control framework to the Audit Committee.

Risk management framework

The Group has adopted a Risk Management framework that enables us to understand material risks that we currently face as well as emerging risks. The risk framework ensures that risks are effectively identified, assessed and that appropriate controls are in place. The Risk Management Team comprising of the Chief Financial Officer, Financial Controller, functional and operational managers take responsibility for the early identification of potential risks. Risks are identified at Hotel level by various means. Those risks having a catastrophic impact on the organisation, but may have a very low or zero probability of occurrence are referred to as core sustainability risks. These are risks that threaten the sustainability or long term viability of a business and are typically risks, stemming from our impact on the environment or society. Identified risks are recorded on the risk register of each business unit and analysed and ranked on a scale of 1 to 5 based on their likelihood of occurrence and impact to the business. Following a process of obtaining the input of all concerned, several options are identified. Thereafter, appropriate risk management measures such as acceptance,

mitigation, transfer and control are identified, progressed and monitored. Action plans are reviewed at appropriate levels in the organisational structure. They are escalated either to drive action or to develop a common solution and implemented along with measures to continuously monitor their effectiveness. This framework enables the Group to maintain and develop risk management strategies to assess and control individual types of risk while developing guidelines, raising awareness levels and training staff on the use of controls and systems in order to manage and mitigate existing risk as well as detecting emerging risk. The Group has maintained insurance at levels determined by it to be appropriate in relation to the cost of cover and the risk profile of each property. As an outcome of the risk management process, the Audit Committee has received quarterly confirmations of financial and operational compliance from the operational management. The CFO, FC have also confirmed that the risk registers and grids of the individual business units have been updated by the respective Hotel Management.

Risk environment and risk profile

The leisure industry in Sri Lanka operates with external risk environment which influenced the pattern, growth and quality of tourist arrivals. Outbound travel to both destinations from the traditional.

West European markets continued to drop in the context of economic uncertainty, sluggish growth and increased taxes on travel in these countries. Sri Lanka has reported significant year on year decline in occupancy according to information released by the Sri Lanka Tourist Development Authority (SLTDA). Apart from this, the risk exposure and profile of the Group did not change significantly during the year under review. A review of the key risks that could materially affect the Group along with the control measures and action plans implemented to mitigate them are set out below.

Strategic Risk	Potential Impact	Control Measures and Action Plans to Mitigate Risk
Market Risk and Competition Loss of market share in a high growth competitive environment or industry over capacity	Reduction in fair share of market and loss of revenue	Risk Rating - Moderate <ul style="list-style-type: none"> • Innovating and trend setting while benchmarking with global competition. • Refurbishing and visible improvements to the property. • Providing value for money by enhancing services, improving service delivery and focusing on consistent quality. • Participation in global and regional tourism promotions and events in existing, potential and emerging markets and maintaining relationships with key overseas industry partners. • Growing web generated business with innovative strategic promotions on the web.
Business Risk The inability of the Company or Group to achieve its business objectives	Adverse impact on planned profitability and cash flow Availability of affordable credit. Increase in operating and asset replacement costs due to fluctuation in exchange rates	Risk Rating - Low <ul style="list-style-type: none"> • Corporate plans are formulated on an annual basis and formally approved by the Board. These plans are thereafter monitored and reviewed by the Board on an ongoing basis. • Implementation of stringent cost control procedures and innovative cost saving initiatives. • Long term strategic plans are prepared based on SWOT analysis. • Ongoing review of cost and expenditure by operational and finance staff to determine appropriate revision of rates and tariffs.
Brand Equity and Reputation Any event that could undermine the brand equity and the reputation of the Hotel and/or failure to sustain the appeal of the Hotel brand to its customers	Decline in customer base, loss of market share, market penetration and ability to develop the business Inability to maintain room rate differentiation and competitive advantage Erosion in confidence may damage sustainability of Hotel business	<ul style="list-style-type: none"> • Promoting the fortress brand in overseas covering both facilities and services. • The Group ensures that key managerial positions are held by suitably qualified and trained staff with sufficient experience in the hotel industry. • Ongoing attention to environment, health and safety concerns by obtaining appropriate recognised quality certification standards. • Initiatives to preserve water and energy resources to ensure long term sustainability. • Regular checks on monthly basis through CSI reports.

Risk Management

Strategic Risk	Potential Impact	Control Measures and Action Plans to Mitigate Risk
<p>Statutory & Legal Risk</p> <p>Implications that arise due to non-compliance with regulatory requirements</p> <p>Risk of litigation from guests, customers, suppliers, staff and regulatory authorities</p>	<p>Loss which may arise due to non-compliance with statutes</p> <p>Enhanced incidence and potential exposure due to proposed legislation</p> <p>Loss arising from flawed contracts</p>	<p>Risk Rating - Low</p> <ul style="list-style-type: none"> Statutory returns, including taxes, are regularly monitored, reviewed and scrutinised. Compliance audits are included in the scope of the internal audit program. A comprehensive financial and operational compliance checklist is reviewed by senior management on a quarterly basis. Active engagement with industry advisory and policy making bodies to articulate concerns and make representations upon invitation advice and direction to safeguard the Group against exposure to unexpected losses arising from the legal consequences of its transactions. Continuous review and development of information systems which detect and report deviations.
Operational Risk		
<p>Project Implementation Risk</p>	<p>Cost overruns and loss of earnings due to delays</p>	<p>Risk Rating - Moderate</p> <ul style="list-style-type: none"> Establishing project time lines in consultation with all stakeholders. Formal process established to cover project consultancy, project award and material procurement. Specialised teams monitor project progress and compliance with established sustainability guidelines. Online, real time repository which serves as a forum to discuss and resolve project related issues and track project cost and progress. Learning's from past project activities are documented and reviewed to ensure that best practices are carried forward.
<p>Personnel</p> <p>The risk of losing highly skilled staff and key personnel due to industry growth, Inappropriate labour action</p> <p>Shortage of appropriately skilled staff in the market to meet the growing need of the Group.</p>	<p>Inability to maintain quality standards and meet guest expectations</p> <p>Higher operational costs and loss of business</p>	<p>Risk Rating - Low</p> <ul style="list-style-type: none"> Cross exposure and overseas training by providing opportunities to key staff. Identification of talent pool for succession planning. Structured training arising from performance appraisal process. Developing a spirit of unity by organising staff gatherings. Recognising and rewarding superior performance. Continuous monitoring of associate motivation and satisfaction through surveys and initiating corrective actions where necessary. Cultivating a win-win approach by engaging in candid and continuous dialogue with labour unions.

Strategic Risk	Potential Impact	Control Measures and Action Plans to Mitigate Risk
Technology and data protection risk Failure to keep pace with developments in the technology could impair our competitive position and operations Risk of cyber attack	Adverse impact on efficiency of operations, guest satisfaction, loss of competitive advantage Additional investment in new technologies/systems to remain competitive	Risk Rating - Low Reservations and property management system upgraded for greater alignment with business needs making it easier to respond to changes in business strategy, <ul style="list-style-type: none"> • Commissioning an audit of hotel website by an IT Governance, Risk and Compliance professional to safeguard against cyber attacks. • Continuous review of network protection processes to ensure integrity and security of data. • Documented business continuity and disaster recovery plans in the event of technical disruption or failure. • Clearly defined IT policy which is communicated to all staff.
Internal operational processes Risk of financial loss due to breakdown in internal controls	Disruption of operations, loss of profits and ineffective use of assets and resources	Risk Rating - Low <ul style="list-style-type: none"> • Clearly defined systems and procedure are in place to ensure compliance with internal controls, which are monitored and reviewed for their continued efficiency and effectiveness. • An outsourced internal audit firm reviews and provides assurance on the adequacy of the Group's financial and operational systems on a quarterly basis. • Quarterly confirmation of compliance with financial, operational and sustainability procedures and requirements which include any incidence of fraud. • A formal process is in place to review and monitor all audit findings.
Financial Risk Credit Risk Liquidity Risk Interest Risk Foreign Currency Risk		Refer Note 25 to the Financial Statements.

The Audit Committee has reviewed the risk management processes adopted by the Group and has noted that risk analysis exercises had been conducted in the Group during the year under review. In conclusion, the Board is pleased to confirm that a process for identifying, evaluating and managing significant risks has been in place throughout the year in accordance with the guidelines set out by the Institute of Chartered Accountants of Sri Lanka and industry best practice.

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

The Directors of The Fortress Resorts PLC have pleasure in presenting their Annual Report together with the Audited Financial Statements of the Company and the Consolidated Financial Statements of the Company and its subsidiary, La Forteresse (Private) Limited for the year ended 31st March 2014.

General

The Fortress Resorts PLC was incorporated on 29th March 1973 as a private limited liability company under the name "Ruhunu Hotels and Travels Limited". It was subsequently converted to a public company and obtained a listing on the Colombo Stock Exchange. The name of the Company was changed to "The Fortress Resorts Limited" on 9th December 2003.

On 13th September 2008, the Company was re-registered in terms of the Companies Act, No. 7 of 2007 as "The Fortress Resorts PLC" under Registration No. PQ 207.

The Ordinary Shares of the Company are listed on the Diri Savi Board of the Colombo Stock Exchange.

Principal activities of the Company and review of performance during the year.

The Company has invested in its wholly owned subsidiary, La Forteresse (Private) Limited, which carries on the business of hoteliering.

This Report and the Financial Statements reflect the state of affairs of the Company and its subsidiary.

Financial Statements

The Financial Statements of the Company and the consolidated Financial Statements of the Company and its subsidiary, duly signed by two Directors on behalf of the Board of Directors and the Auditors, are included in this Annual Report and form part and parcel hereof.

Auditors' Report

The Report of the Auditors on the group Financial Statements is attached with the Financial Statements.

Accounting Policies

The Financial Statements of the Company and Group have been prepared in accordance with the revised Sri Lanka Financial Reporting Standards (SLFRS/LKAS) and the accounting policies adopted thereof are given on pages 96 to 105 which are consistent with those of the previous year.

Directors

Directors of the Company

The names of the Directors of the Company who held office as at the end of the accounting period are given below:

Executive Director

Mr. J. A. S. S. Adhihetty – Managing Director
Mr. Jan P. van Twest – Director / General Manager
(appointed w.e.f 31.10.2013)

Non-Executive Directors

Mr. K. D. D. Perera – Chairman
Mr. C. J. Wickramasinghe* – Director
Mr. Malik J. Fernando – Director
Mr. Merrill J. Fernando – Director
Mr. Senaratne* – Director
Mr. L. T. Samarawickrama – Director
(Alternate Director – Mr. H. Somasantha)
Mr. L. N. de S. Wijeyeratne* – Director
Mr. D. E. Silva – Director
Mr. Prashan B. Perera – Director
(Alternate Director – Mr. W. D. N. H. Perera)
Mr. Chatura V. Cabraal* – Director (appointed w.e.f 08.01.2014)

*Independent Non-Executive Directors

During the year under review Mr. Jan P. van Twest who holds the position of General Manager was appointed a Director on 31st October 2013 and Mr. Chatura Vishvajit Cabraal was appointed as an Independent Non-Executive Director on 8th January 2014. Consequent to Sections 210 and 211 of the Companies Act, Mr. Merrill J. Fernando was appointed as a Director at the previous Annual General Meeting held on 30th July 2013.

In terms of Article 84 of the Articles of Association Messrs Lalit N. De S. Wijeyeratne and S. Senaratne retire by rotation and being eligible are being recommended by the Board for re-election at the forthcoming Annual General Meeting. Messrs Jan P. van Twest and Chatura V. Cabraal who were appointed as Directors during the year will hold office until the Annual General Meeting and being eligible are recommended by the Directors for re-election in terms of Article 91 of the Articles of Association of the Company.

Mr. Merrill J. Fernando, who is over 70 years of age, offers himself for re-appointment as a Director in pursuance of Section 211 of the Companies Act with the recommendation of the Directors. A resolution proposing the re-appointment of Mr. Merrill J. Fernando, who is 84 years of age, to the Board of the Company, declaring that the age limit of 70 years shall not apply to the said Director, will be placed before the shareholders at the Annual General Meeting.

Directors of the subsidiary

The names of the Directors of the subsidiary, who held office as at the end of the accounting period, are given below:

Mr. C. J. Wickramasinghe – Director
 Mr. J. A. S. S. Adhihetty – Managing Director
 Mr. Malik J. Fernando – Director
 Mr. Merrill J. Fernando – Director
 Mr. S. Senaratne – Director
 Mr. L. T. Samarawickrama – Director
 Mr. G. A. R. D. Prasanna – Director

Interests Register

The Company and the subsidiary maintain Interests Registers in terms of the Companies Act, No.7 of 2007. The names of the Directors, who were directly or indirectly interested in Contracts or related party transactions with the Company or its subsidiary during the accounting period, are stated in Note 23 to the Financial Statements.

Directors' Remuneration

The Directors remuneration is disclosed under Key Management Personnel of the Company in Note No 23.2 to the Financial Statement. The Directors of the subsidiary company were not paid any remuneration during the period under review.

Directors' responsibility for Financial Reporting

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

Stated Capital

The Stated Capital of the Company as at 31st March 2014 amounted to Rs.1,108,866,840/- represented by 110,886,684 shares.

Directors' shareholding

The relevant interests of Directors in the shares of the Company as at 31st March 2014 are as follows:

	Shareholding as at 31/03/2014	Shareholding as at 31/03/2013
Mr. K. D. D. Perera	10,329,317	10,329,317
Mr. J. A. S. S. Adhihetty	13,741	Nil
Mr. W. D. N. H. Perera (Alternate Director to Mr. P. B. Perera)	89	89
Mr. C. J. Wickramasinghe*	19,291	19,291
Mr. Malik J. Fernando	833,333	833,333
Mr. Merrill J. Fernando	2,124,400	2,124,400
Mr. S. Senaratne*	1,000	1,000
Mr. L. T. Samarawickrama	1,550	1,550
Mr. L. N. de S. Wijeyeratne*	Nil	Nil
Mr. D. E. Silva	500	500
Mr. H. Somashantha (Alternate Director to Mr. L. T. Samarawickrama)	Nil	Nil
Mr. P. B. Perera	500	500
Mr. Jan P. van Twest (appointed 31/10/2013)	Nil	Nil
Mr. C. V. Cabraal* (appointed 08/01/2014)	Nil	Nil

* Independent Non-Executive Directors

Messrs K. D. D. Perera, J. A. S. S. Adhihetty, W. D. N. H. Perera and L. N. de S. Wijeyeratne are Directors of L B Finance PLC, which held 4,051,100 shares as at 31st March 2014.

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

Messrs K. D. D. Perera and P. B. Perera, (whose Alternate Director is Mr. W. D. N. H. Perera) are Directors of Vallibel Power Erathna PLC, which held 5,933,400 shares as at 31st March 2014.

Messrs K. D. D. Perera and W. D. N. H. Perera (who is an Alternate Director to Mr. P. B. Perera) are Directors of Royal Ceramics Lanka PLC) which held 336,100 shares as at 31st March 2014.

Messrs K. D. D. Perera, W. D. N. H. Perera and J. A. S. S. Adhihetty are Directors of Vallibel One PLC which held 13,676,350 as at 31st March 2014.

Messrs Merrill J. Fernando and Malik J. Fernando are Directors of MJF Holdings Limited, which held 28,616,411 shares as at 31st March 2014

Major Shareholders, Distribution Schedule and other information

Information on the twenty largest shareholders, public holding, distribution of shareholding and ratios and market price information (as applicable) are given on pages 127 and 128.

Auditors

Messrs Ernst & Young, Chartered Accountants served as the Auditors of the Company and its subsidiary, during the year under review.

A sum of Rs. 230,264/- is payable by the Company to the Auditors as Audit Fees (Group – Rs.1,050,144/-)for the year under review.

The Auditors have also provided non-Audit services and the fee payable there for amounts to Rs.37,632/- (Group – Rs.160,072/-) for the year under review.

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

Donations

The Company did not make any donations during the year under review. (The donations made by the subsidiary amounted to Rs.175,625/-)

Dividend

The Directors do not recommend the payment of a dividend.

Property, Plant and Equipment

Details of property, plant and equipment and changes during the year are given in Note 10 of the Financial Statements.

Material Foreseeable Risk Factors

Foreseeable risks that may materially impact the business are disclosed in the Chairman's review on page 10 and Risk Management Practices on page 66 to 69 of this report.

Land Holdings

The Company does not own any freehold or leasehold land or buildings (the subsidiary company holds leasehold rights of the lands on which the hotel buildings are constructed).

Employees and industrial relations

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

Statutory Payments

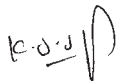
The Directors confirm that, to the best of their knowledge, all taxes, duties and levies payable by the Company, all contributions, levies and taxes payable on behalf of and in respect of the employees of the Company and all other known statutory dues as were due and payable by the Company as at the Balance Sheet date have been paid or, where relevant provided for.

Annual General Meeting

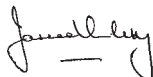
The Annual General Meeting will be held on 27th June 2014 at 3.30 p.m. at the Auditorium of the L B Finance PLC, Corporate Office, No.20, Dharmapala Mawatha, Colombo 03.

The notice of the Annual General Meeting appears on page 129.

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



Dhammika Perera
Chairman



J. A. S. S. Adhihetty
Managing Director



Anusha Wijesekara
P W Corporate Secretarial (Pvt) Ltd
Secretaries

Colombo
27th May 2014

Corporate Governance

The Company aspires to adhere to the best practices in Corporate Governance by ensuring greater transparency, business integrity, professionalism and ethical values in the best interests of all stakeholders.

This statement describes the application of the Corporate Governance practices within the Company.

Board of Directors

The Company's business and operations are managed under the supervision of the Board of Directors which consists of members possessing extensive knowledge and experience in the leisure and hospitality sectors.

The Board is responsible for the formulation of the overall business policies and strategy and for monitoring the effective implementation thereof.

Composition of the Board of Directors

The Board comprises Twelve (12) members (of whom two have Alternate Directors), Ten (10) Directors including the Chairman are Non-Executive Directors.

The names of the Directors who served during the year under review are given on page 70.

The Board has determined that one third of the Non-Executive Directors, namely four Directors are 'independent' as per the Listing Rules of the Colombo Stock Exchange; such Directors being Mr. C. J. Wickramasinha, Mr. S. Senaratne, Mr. L. N. de S. Wijeyeratne and Mr. C. V. Cabraal.

In determining the Directors' independence, the Board decided that Messrs C. J. Wickramasinha and S. Senaratne, who are Non-Executive Directors of Amaya Leisure PLC (Amaya) in which five (5) Directors (and an Alternate Director) of the Company are Directors and collectively have a significant shareholding, shall nevertheless be treated as Independent Directors, on the basis that these Directorships and shareholdings in Amaya do not compromise the independence and objectivity of the said Directors in discharging the functions as Independent Directors.

Chairman and Managing Director

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

Mr. K. D. D. Perera is the Chairman of the Board of Directors whilst Mr. J. A. S. S. Adhihetty serves as the Managing Director.

Tenure, Retirement and Re-election of Directors

In terms of the Articles of Association, at each Annual General Meeting, one-third of the Directors for the time being who are subject to retirement, or, if their number is not a multiple of three, the number nearest to (but not greater than) one-third, shall retire and seek re-election by the shareholders

The provisions of the Company's Articles of Association also require the Directors appointed by the Board to hold office until the next Annual General Meeting and seek appointment by the shareholders at that meeting.

Board Meetings

The results of the business of the Company are considered and monitored against the budgets at Board meetings at which a standard agenda is discussed together with any other matters that require the attention of the Board.

During the year ended 31st March 2014, five (05) meetings of the Board were held. The attendance at the meetings was:

Name of Director	Executive/ Non-Executive/ Independent Non-Executive	Attendance
Mr. K. D. D. Perera	Non-Executive	02/05
Mr. J. A. S. S. Adhihetty	Executive	05/05
Mr. C. J. Wickramasinghe	Independent Non-Executive	02/05
Mr. L. T. Samarawickrama (Alternate Director to Mr. Hareesh Somasantha)	Non-Executive	04/05
Mr. Malik J. Fernando	Non-Executive	03/05
Mr. Merrill J. Fernando	Non-Executive	00/05
Mr. S. Senaratne	Independent Non-Executive	05/05
Mr. L. N. de Silva Wijeyeratne	Independent Non-Executive	04/05
Mr. Denesh E. Silva	Non-Executive	05/05
Mr. P. B. Perera (Alternate Mr. W. D. N. H. Perera)	Non-Executive	00/05

Name of Director	Executive/ Non-Executive/ Independent Non-Executive	Attendance
Mr. Haresh Somashantha (Alternate Director to L. T. Samarawickrama)		00/05
Mr. W. D. N. H. Perera (Alternate to Mr. P. B. Perera)		02/05
Mr. Jan P van Twest (appointed from 31/10/2013)	Executive	02/02
Mr. C. V. Cabraal (appointed from 08/01/2014)	Independent/ Non-Executive	01/01

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

Board Sub Committees

In pursuance of the Listing Rules of the Colombo Stock Exchange on Corporate Governance, the Board of The Fortress Resorts PLC has appointed two Sub Committees the Audit Committee and Remuneration Committee.

Audit Committee

The Audit Committee consists of four (4) Non-Executive Directors, three (03) of whom are Independent Directors. It is chaired by Mr. L. N. de S. Wijeyeratne, who is a Fellow member of the Institute of Chartered Accountants of Sri Lanka.

The Senior Management attends the meetings by invitation.

Remuneration Committee

The Remuneration Committee consists of three (3) Non-Executive Directors, two of whom are Independent Directors. Mr. C. J. Wickramasinghe is the Chairman of the Remuneration Committee and Mr. S. Senaratne and Mr. Malik J. Fernando, Members.

The Remuneration Committee is required to make its recommendations on Executive Directors' remuneration for the Board's consideration and approval. In accordance with the remuneration policy of the Company, the remuneration packages of employees are linked to the individual performances and aligned with the Company's business.

The Management

The day-to-day operations of the Company are entrusted to the Senior Management headed by the Managing Director. They ensure that risks and opportunities are identified and steps are taken to achieve targets within defined time frames and budgets.

Financial Reporting

The Board aims to provide and present a balanced assessment of the Company's position and prospects in compliance with the revised Sri Lanka Accounting Standards and the relevant Statutes, and has established a formal and transparent process for conducting financial reporting and internal control principles.

The Statement of Directors' Responsibilities for the Financial Statements is given on page 86 of this Report.

Internal Controls

The Board is responsible for the Company's internal controls. In this respect, controls are established for safeguarding the Company's assets, making available accurate and timely information and imposing greater discipline on decision making. This process is strengthened by regular internal audits.

Corporate Disclosure and Shareholder Relationship

The Company is committed to providing timely and accurate disclosures of all price sensitive information, financial results and significant developments to all shareholders, the Colombo Stock Exchange and, where necessary, to the general public.

The shareholders are provided with a copy of the Annual Report and the Company disseminates to the market, quarterly Financial Statements in accordance with the Listing Rules of the Colombo Stock Exchange.

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

Corporate Governance

Financial Disclosures and Transparency

Financial Statements are prepared in accordance with the revised Sri Lanka Accounting Standards and the Companies Act. Being a company listed on the Dirli Savi Board of the Colombo Stock Exchange, the unaudited provisional quarterly statements of accounts are forwarded to the Colombo Stock Exchange in compliance with the Listing Rules of the Colombo Stock Exchange.

Auditors

Messrs. Ernst & Young, Chartered Accountants act as Independent Auditors of the Company. The Auditors are permitted to act independently and without intervention from the Management or the Board of the Company to express an opinion on the financial statements of the Company. All required information is provided to the Auditors for examination.

Statutory Payments

All statutory payments due to the Government, which have fallen due, have been made or where relevant provided for. Retirement gratuities have been provided for in accordance with the Sri Lanka Accounting Standard No.16, Employee Benefits (Revised 2006) and No.19 of Sri Lanka Financial Reporting Standards (SLFRS).

By Order of the Board
The Fortress Resorts PLC



P W Corporate Secretarial (Pvt) Ltd
Director/Secretaries

27th May 2014

Compliance with Continuing Listing Rules - Check List

● Compliant ● Non-Compliant

Rule No.	Subject	Applicable requirement	Compliance Status	Applicable section in the Annual Report
7.10.1 (a)	Non-Executive Directors	At least one third of the total number of Directors should be Non-Executives.	●	Corporate Governance
7.10.2 (a)	Independent Directors	Two or one third of Non-Executive Directors which ever is higher should be Independent.	●	Corporate Governance
7.10.2 (b)	Independent Directors	Each Non-Executive Director should submit a declaration of Independence, non independence in the prescribe format.	●	Available with the Secretaries for review
7.10.3 (a)	Disclosure relating to Directors	The board shall annually determine the independence or otherwise of the non independency. Names in the ID should be disclosed in the Annual Report.	●	Corporate Governance
7.10.3 (b)	Disclosure relating to Directors	The basis for Board to determine a Directors as independent, if specified criteria for independence is not met.	●	Corporate Governance
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.	●	Board of Directors (Profile) Section in the AR.
7.10.3 (d)	Disclosure relating to Directors	Provide a brief resume of new Directors appointed to the Board with details specified in 7.10.3(a,b,c & d) to the CSE.	●	Corporate Governance and Bpard of directors (profile) section in the AR.
7.10.5	Remuneration Committee	A Listed company shall have a Remuneration Committee.	●	Corporate Governance
7.10.5 (a)	Composition of Remuneration Committee.	Shall comprise of Non-Executive Directors a majority of whom will be independent.	●	Corporate Governance
7.10.5 (b)	Functions of Remuneration Committee	The Remuneration Committee shall recommend the remuneration of Chief Executive Officer and Non-Executive Directors.	●	Corporate Governance
7.10.5 (c)	Disclosure in the Annual Report relating to Remuneration Committee.	The Annual Report should set out (a) Names of Directors comprising the RC. (b) Statement of Remuneration Policy. (c) Aggregated remuneration paid to NED/ NID/ID. (d) Statement of remuneration committee.	●	Corporate Governance and the Board Committee Reports.

Corporate Governance

Rule No.	Subject	Applicable requirement	Compliance Status	Applicable section in the Annual Report
7.10.6	Audit Committee	The Company shall have an Audit Committee	●	Corporate Governance
7.10.6 (a)	Composition of an Audit Committee	<p>Shall comprise of Non-Executive Directors and majority of whom should be independent.</p> <p>Non-Executive Directors shall be appointed as the Chairman of the Audit Committee.</p> <p>Chief Executive Officer and the Chief Financial Officer should attend Audit Committee Meetings.</p> <p>The Chairman of the Audit Committee or one member should be a member of a professional accounting body.</p>	●	Corporate Governance and the Board Committee Reports.
7.10.6 (b)	Audit Committee Functions	Should be as outlined in the Section 7 of the listing rules	●	Corporate Governance and the Board Committee Reports.
7.10.6 (c)	Disclosure in the Annual Report relating to Audit Committee.	<p>(a) Names of the Directors comprising the Audit Committee.</p> <p>(b) The Audit Committee shall make a determination of the independence of the Auditors and disclose for such determination.</p> <p>(c) The Annual Report Shall contain a Report of the Audit Committee setting out of the manner of compliance of the functions.</p>	●	Corporate Governance and the Board Committee Reports.

Adoption of Joint Code of Best Practise Checklist

● Compliant ● Non-Compliant

Code Ref.	Subject	Applicable Requirement	Adoption Status	Applicable Section in the Annual Report
A.1 DIRECTORS - Board				
A.1.1	Frequency of Board Meetings	Board should meet regularly, at least once in every quarter	●	Corporate Governance / AR of the BOD
A.1.2	Responsibilities of the Board	Formulation and implementation of strategy.	●	Corporate Governance
		Skill adequacy of management and succession		
		Integrity of information, internal controls and risk management		
		Compliance with laws, regulations and ethical standards		
		Code of conduct		
		Adoption of appropriate accounting policies		
A.1.3	Access to professional advice	Procedures to obtain independent professional advice	●	Corporate Governance
A.1.4	Company Secretary	Ensure adherence to board procedures and applicable rules and regulations	●	Corporate Governance
		Procedure for Directors to access services of Company Secretary		
A.1.5	Independent Judgement	Directors should exercise independent judgement on issues of strategy, resources , performance and standards of business judgement.	●	Corporate Governance
A.1.6	Dedication of adequate time and effort by Directors	Directors should devote adequate time and effort to discharge their responsibilities to the Company satisfactorily.	●	Corporate Governance
A.1.7	Training for Directors	Directors should receive appropriate training , hone skills and expand knowledge to more efectively perform duties	●	Corporate Governance
A.2 DIRECTORS - Chairman & Chief Executive Officer				
A.2.	Division of responsibilities to ensure no individual has unfettered powers of decision.	A balance of power and authority to be maintained by seperating responsibility for conducting Board business from that of executive decision making	●	Corporate Governance
A.3 DIRECTORS - Role of Chairman				
A.3	Ensure good corporate governance	Chairman to preserve order and facilitate effective discharge of board functions by proper conduct of Board meetings.	●	Corporate Governance

Corporate Governance

Code Ref.	Subject	Applicable Requirement	Adoption Status	Applicable Section in the Annual Report
A.4 DIRECTORS - Financial Acumen				
A.4	Possession of adequate financial acumen	Board to ensure adequacy of financial acumen and knowledge within Board.	●	Corporate Governance
A.5 DIRECTORS - Board Balance				
A.5.1	Composition of Board	The Board should include a sufficient number of Non-Executive independent Directors.	●	Corporate Governance
A.5.2	Proportion of independent directors	Two or one third of the Non-Executive directors should be independent.	●	Corporate Governance
A.5.3	Test of independence	Independent Directors should be independent of management and free of any business or other relationship that could materially interfere with the exercise of unfettered and independent judgement.	●	Corporate Governance
A.5.4	Declaration of independence	Non-Executive Directors should submit a signed and dated declaration of their Independence /Non-Independence	●	Corporate Governance/ Annual Report of the Board of Directors
A.5.5	Annual determination of criteria of independence / non - independence and declaration of same by Board	The Board should annually determine and disclose the name of Directors deemed to be independent	●	Corporate Governance
A.5.6	Appointment of senior Independent Director	If the roles of Chairman / CEO are combined, a Non-Executive should be appointed as a Senior Independent Director.	N/A	
A.5.7	Availability of Senior Independent Director to other Directors	If warranted the SID should be available to the other directors for confidential discussions.	N/A	
A.5.8	Interaction between Chairman and Non-Executive Independent Directors.	The Chairman should meet the Non-Executive Independent Directors at least once a year.	●	Corporate Governance
A.5.9	Directors concerns to be recorded	When matters are not unanimously resolved, directors to ensure their concerns are recorded in Board minutes.	N/A	
A.6 DIRECTORS - Supply of information				
A.6.1	Provision of adequate information to Board	Management to ensure the Board is provided with timely and appropriate information.	●	Corporate Governance
A.6.2	Adequacy of Notice and formal agenda to be discussed at board meetings	Board minutes , agenda and papers should be circulated at least seven days before the Board meeting.	●	Corporate Governance

Code Ref.	Subject	Applicable Requirement	Adoption Status	Applicable Section in the Annual Report
A.7 DIRECTORS - Appointment to the Board				
A.7.1	Nomination Committee	Nomination committee of parent may function as such for the Company and make recommendations to the Board on new Board appointments.	●	Corporate Governance
A.7.2	Annual assessment of Board composition	Nomination committee or Board should annually assess the composition of Board.	●	Corporate Governance
A.7.3	Disclosure of new Board appointments	Profiles of new Board appointments to be communicated to Shareholders.	●	Corporate Governance / Notice of meeting
A.8 DIRECTORS - Re - election				
A.8.1	Appointment of Non-Executive Directors	Appointment of Non-Executive directors should be for specified terms and re - election should not be automatic	●	Corporate Governance / Annual Report of the Board of Directors
A.8.2	Shareholder approval of appointment of all Directors	The appointment of all Directors should be subject to election by shareholders at the first opportunity	●	Corporate Governance / Annual Report of the Board of Directors / Notice of Meeting
A.9 DIRECTORS - Appraisal of Board Performance				
A.9.1	Annual appraisal of Board performance	The Board should annually appraise how effectively it has discharged its key responsibilities	●	Corporate Governance
A.9.2	Self evaluation of Board and Board Committees	The Board should evaluate its performance and that of its committees annually	●	Corporate Governance / Audit Committee Report
A.9.3	Declaration of basis of performance evaluation	The Board should disclose how performance evaluations have been carried out	●	Corporate Governance
A.10 DIRECTORS - Disclosure of information in respect of Directors				
A.10.1	Biographical profiles and relevant details of Directors to be disclosed	Annual Report should disclose the biographical details of directors and attendance at Board/Committee meetings	●	Board of Directors , Corporate Governance / Audit Committee Report.
A.11 DIRECTORS - Appraisal of Chief Executive Officer				
A.11.1	Short , medium and long term , financial and non - financial objectives to be set.	The Board should set out the short, medium and long term, financial and non - financial objectives at the commencement of each year.	●	Corporate Governance
A. 11.2	Evaluation of CEO performance	The performance of the CEO should be evaluated by the Board at the end of the year.	●	Corporate Governance

Corporate Governance

Code Ref.	Subject	Applicable Requirement	Adoption Status	Applicable Section in the Annual Report
8.1 DIRECTORS REMUNERATION - Remuneration Procedure				
8.1.1	Appointment of Remuneration Committee	Remuneration Committee of parent may function as such for the Company to make recommendations on Directors remuneration	●	Corporate Governance
8.1.2	Composition of Remuneration Committee	Board to appoint only Non-Executive Directors to serve on Remuneration Committee.	●	Corporate Governance
8.1.3	Disclosure of members of Remuneration Committee	The Annual Report should disclose the Chairman and Directors who serve on the Remuneration Committee.	●	Corporate Governance
8.1.4	Remuneration of non - executive directors	Board to determine the level of Remuneration of Non-Executive Directors	●	Corporate Governance
8.1.5	Access to professional advice	Remuneration Committee should have access to professional advice in order to determine appropriate remuneration for Executive Directors	●	Corporate Governance
8.2 DIRECTORS REMUNERATION - Level and Make up of Remuneration				
8.2.1	Remuneration packages for executive directors.	Packages should be structured to attract, retain and motivate executive directors	N/A	Corporate Governance
8.2.2	Remuneration packages to be appropriately positioned.	Packages should be comparable and relative to that of other companies as well as the relative performance of the Company.	N/A	Corporate Governance
8.2.3	Appropriateness of remuneration and conditions in relation to other Group companies	When determining annual increases remuneration committee should be sensitive to that of other Group companies	N/A	Corporate Governance
8.2.4	Performance related elements of remuneration	Performance related elements of remuneration should be aligned with interests of Company.	●	Corporate Governance
8.2.5	Share options	Executive should not be offered at a discount	N/A	Corporate Governance
8.2.6	Remuneration packages for Non-Executive Directors	Should reflect time commitment and responsibilities of role and in line with existing market practice	N/A	Corporate Governance
8.3 DIRECTORS REMUNERATION - Disclosure of Remuneration				
8.3	Disclosure of details of remuneration	The Annual Report should disclose the remuneration paid to Directors	●	Financial Statements note

Code Ref.	Subject	Applicable Requirement	Adoption Status	Applicable Section in the Annual Report
C.1 RELATIONS WITH SHARE HOLDERS - Constructive use and conduct of Annual General Meeting				
C.1.1	Proxy votes to be counted	The Company should count and indicate the level of proxies lodged for and against in respect of each resolution	●	Corporate Governance
C.1.2	Separate resolutions	Separate resolutions should be proposed for substantially separate issues	●	Corporate Governance / Notice of Meeting
C.1.3	Availability of Committee Chairman at AGM	The Chairman of Board committees should be available to answer any queries of AGM	●	Corporate Governance
C.1.4	Notice of AGM	15 working days notice to be given to shareholders	●	Notice of Meeting
C.1.5	Procedure for voting at meetings	Company to circulate the procedure for voting with Notice of Meeting	●	Notice of Meeting
C.2 MAJOR TRANSACTIONS				
C.2.1	Disclosure of Major Transactions	Transactions that have a value which are greater than half of the net assets of the Company should be disclosed	●	Corporate Governance / Annual Report of the Board of Directors
D.1 ACCOUNTABILITY AND AUDIT - Financial Reporting				
D.1.1	Presentation of public reports	Should be balanced, understandable and comply with statutory and regulatory requirements	●	Management Discussion / Corporate Governance / Risk Management / Financial Statements
D.1.2	Directors Report	The Directors Report should be included in the Annual and confirm that	●	Audit Committee Report
		The Company has not contravened laws or regulations in conducting its activities	●	Annual Report of the Board of Directors
		Material interests in contracts have been declared by Directors	●	Financial Statements
		The Company has endeavoured to ensure equitable treatment of shareholders	●	Corporate Governance
		That the business is a "going concern"	●	Annual Report of the Board of Directors
		That there is reasonable assurance of the effectiveness of the existing business systems following a review of the internal controls covering financial, operational and compliance	●	Audit Committee report, Risk Management
D.1.3	Respective responsibilities of Directors and Auditors	The Annual Report should contain separate statements setting out the responsibilities of the Directors for the preparation of the financial statements and the reporting responsibilities of the Auditors	●	Respective responsibilities of Directors and Auditors

Corporate Governance

Code Ref.	Subject	Applicable Requirement	Adoption Status	Applicable Section in the Annual Report
D.1.4	Management Discussion and Analysis	Annual Report to include section on Management Discussion and Analysis	●	Management Discussion
D.1.5	Going Concern	Directors to substantiate and report that the business is a going concern or qualify accordingly	●	Annual Report of the Board of Directors
D.1.6	Serious Loss of Capital	Directors to summon an Extraordinary General Meeting in the event that the net assets of the company falls below 50 % of the value of Shareholders Funds	N/A	
D.2 ACCOUNTABILITY AND AUDIT - Internal Control				
D.2.1	Effectiveness of system of internal controls	Directors to annually conduct a review of the effectiveness of the system of internal controls. This responsibility may be delegated to the Audit Committee	●	Audit Committee Report / Risk Management
D.3 AUDIT COMMITTEE				
D.3.1	Chairman and Composition of Audit Committee	Should comprise of a minimum of two Independent Non-Executive Directors	●	Audit Committee Report
		Audit Committee Chairman should be appointed by the Board		
D.3.2	Duties of Audit Committee	Should include		
		Review of scope and results of audit and its effectiveness	●	Corporate Governance
		Independence and objectivity of the Auditors		
D.3.3	Terms of Reference / Charter	The Audit Committee should have a written terms of reference which define the purpose of the Committee and its duties and responsibilities	●	Corporate Governance
D.3.4	Disclosures	The Annual Report should disclose the names directors serving on the Audit Committee	●	Corporate Governance / Audit Committee Report
		The Audit Committee should determine the independence of the Auditors and disclose the basis of such determination	●	Corporate Governance
		The Annual Report should contain a report by the Audit Committee setting out the manner of the compliance of the Company during the period to which the report relates.	●	Audit Committee Report

Code Ref.	Subject	Applicable Requirement	Adoption Status	Applicable Section in the Annual Report
D.4 CODE OF BUSINESS CONDUCT AND ETHICS				
D.4.1	Adoption of Code of Business Conduct and Ethics	The company must adopt a Code of Business Conduct and Ethics for Directors and members of the Senior Management team and promptly disclose any violation of the Code	●	Corporate Governance
D.5 CORPORATE GOVERNANCE DISCLOSURES				
D.5.1	Corporate Governance Report	The Annual Report should include a report setting out the manner and extent to which the company has adopted the principles and provisions of the Code of Best Practise on Corporate Governance	●	Corporate Governance
E. INSTITUTIONAL INVESTERS - Structured Dialogue				
E.1	Structured Dialogue with Shareholders	A regular and structured dialogue should be conducted with shareholders and the outcome of such dialogue should be communicated to the Board by the Chairman	●	Corporate Governance
E.2	Evaluation of Governance Disclosures by institutional investors	Institutional Investors should be encouraged to consider the relevant factors drawn to their attention with regard to board structure and composition	●	Corporate Governance
F. OTHER INVESTERS - Investment / Divestment decisions				
F.1	Individual Investors	Individual shareholders should be encouraged to carry out adequate analysis and seek professional advice when making their investment / divestment decisions.	●	Corporate Governance
F.2.	Shareholder Voting	Individual shareholders should be encouraged to participate and exercise their voting rights	●	Corporate Governance / Form of Proxy

Statement of Directors' Responsibilities

The Directors are responsible under the Companies Act No. 7 of 2007 to ensure compliance with the requirements set out therein to prepare financial statements for each financial year giving a true and fair view of the state of affairs of the Company and its subsidiary as at the balance sheet date and the profit of the Company and its subsidiary for the financial year.

The Directors are also responsible to ensure that the financial statements comply with any regulations made under the Companies Act which specifies the form and content of group financial statements and any other requirements which apply to the Company's financial statements under any other law.

The financial statements presented in this Annual Report have been prepared using appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments and estimates and in compliance with the revised Sri Lanka Accounting Standards and provide information required by the Companies Act, No. 7 of 2007 and the Listing Rules of the Colombo Stock Exchange.

Further, the Directors confirm that, after review of the Company's Business Plan for the financial year 2014/2015, including cash flows and borrowing facilities, they are of the view that the Company has adequate resources to continue in operation and accordingly, have applied a going concern basis in preparing the financial statements.

The Directors have taken adequate measures to safeguard the assets of the Company and in that context to have proper regard to the establishment of appropriate systems of internal control with a view to prevention and detection of fraud and other irregularities.

By Order of the Board
The Fortress Resorts PLC



P W Corporate Secretarial (Pvt) Ltd
Secretaries

27th May 2014

Audit Committee Report

Terms of reference, principal focus and medium of reporting

The responsibilities of the Audit committee are governed by the Audit committee charter, approved and adopted by the Board. The Audit committee focuses principally on assisting the Board in fulfilling its duties by providing an independent and objective review of the financial reporting process, internal controls and the audit function. These include the quality of interim and annual reported earnings and the adequacy and fairness of disclosure; monitoring management's strategy for ensuring that the company has implemented appropriate internal controls to address business risks and that these controls are functioning effectively; reviewing procedures relating to statutory, regulatory and related compliance; and the adequacy of the Company's internal and external audit function. The proceedings of the Audit Committee were regularly reported to the Board of Directors through formal minutes.

Committee composition, meetings held and attendance

The Audit Committee consists of four members.

The members of the Board appointed Audit Committee are;

Mr. L. N. De S. Wijeyeratne - Chairman

Mr. S. Senaratne

Mr. C. J. Wickramasinghe

Mr. Malik J. Fernando

The Company Secretary functions as the Secretary to the Audit Committee.

The Chairman of the Audit Committee is a Fellow of the Institute of Chartered Accountants of Sri Lanka. All non-executive directors satisfy the criteria for independence as specified in the standards on Corporate Governance for listed Companies issued by the Securities and Exchange Commission of Sri Lanka. The Audit committee reports directly to the Board. The individual and collective financial and hotel industry specific knowledge, business experience and the independence of members are brought to bear on all matters, which fall within the committee's purview. The Chief Financial Officer, Managing Director, General Manager & Hotel Financial Controller attend audit meetings by invitation. Outsourced Internal Auditors (BDO partners) are required to attend meetings on a regular basis. The committee met three times in connection with the financial year ended 31st March 2014.

Activities performed

- Reviewed the activities and financial affairs of the Company and its Subsidiary (Hotel), and the financial reporting system adopted in the preparation of quarterly and annual financial statements to ensure reliability of the process, appropriateness and consistency of accounting policies and methods adopted and that they facilitate compliance with the requirements of Sri Lanka Accounting standards (LKAS, SLFRS), the Companies Act No 7 of 2007 and other relevant statutory and regulatory requirements.
- Met the outsourced Internal Auditors to consider their reports, management responses and matters requiring follow up on the effectiveness of internal financial controls that have been designed to provide reasonable but not absolute assurance to the Directors that assets are safeguarded and that the financial reporting system can be relied upon in the preparation and presentation of the financial statements.
- Reviewed the quarterly and yearend financial statements and recommended their adoption to the Board.
- Reviewed the type and quantum of non-audit services provided by the external auditors to the Company to ensure that their independence as auditors has not been impaired.
- Reviewed the Company's compliance framework to determine that it provides reasonable assurance that all relevant laws, rules and regulations have been complied with.

The Audit Committee has recommended to the Board of Directors that Messrs Ernst & Young be re-appointed as Auditors for the Financial Year ending 31st March 2015, subject to the approval of the shareholders at the next Annual General Meeting.



L.N. de S. Wijeyeratne (FCA)

Chairman - Audit Committee

27th May 2014

A stunning location in which to experience blue summer skies, the infinity pool at the resort is 150 metres of pure relaxation. Rest in the shade or swim out to the edge and take in the beauty of the Indian Ocean stretched out before you as far as the eye can see. Take a dip and spend leisurely hours taking in the atmosphere of tranquility and vibrancy.



Financial Reports



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Equity 94 | Cash Flow Statement 95 | Notes to the Financial Statements 96

Independent Auditor's Report



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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF THE FORTRESS RESORTS PLC

Report on the Financial Statements

We have audited the accompanying Financial Statements of The Fortress Resorts PLC, the Consolidated Financial Statements of the Company and its subsidiary which comprise the statement of financial position as at 31 March 2014, and the statements of comprehensive income, statements of changes in equity and cash flow statements for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these Financial Statements in accordance with Sri Lanka Accounting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of Financial Statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Scope of Audit and Basis of Opinion

Our responsibility is to express an opinion on these Financial Statements based on our audit. We conducted our audit in accordance with Sri Lanka Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the Financial Statements are free from material misstatement.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Financial Statements. An audit also includes assessing the accounting policies used and significant estimates made by management, as well as evaluating the overall Financial Statement presentation.

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit. We therefore believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended 31 March 2014 and the Financial Statements give a true and fair view of the financial position Company as at 31 March 2014 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

In our opinion, the Consolidated Financial Statements give a true and fair view of the financial position of the Group as at 31 March 2014 and the financial performance and cash flows for the year then ended, in accordance with Sri Lanka Accounting Standards, of the Company and its subsidiary dealt with thereby, so far as concerns the shareholders of the Company.

Report on Other Legal and Regulatory Requirements

These Financial Statements also comply with the requirements of Sections 151(2) and 153(2) to 153(7) of the Companies Act No. 07 of 2007.

16th May 2014
Colombo

Partners: A D B Talwatte FCA FCMA M P D Cooray FCA FCMA R N de Saram ACA FCMA Ms. N A De Silva ACA Ms. Y A De Silva FCA W R H Fernando FCA FCMA
W K B S P Fernando FCA FCMA A P A Gunasekera FCA FCMA A Herath FCA D K Hulangamuwa FCA FCMA LLB (Lond) H M A Jayasinghe FCA FCMA
Ms. A A Ludowyke FCA FCMA Ms. G G S Manatunga ACA N M Sulaiman ACA ACMA B E Wijesuriya ACA ACMA

A member firm of Ernst & Young Global Limited

Statement of Comprehensive Income

Year ended 31 March	Note	Group		Company	
		2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Revenue	4	650,526,146	577,724,141	-	-
Cost of Sales		(165,911,628)	(145,093,847)	-	-
Gross Profit		484,614,518	432,630,294	-	-
Other Income and Gains	5	30,020,015	40,040,646	16,500,165	-
Selling and Marketing Expenses		(27,543,305)	(24,115,407)	-	-
Administrative Expenses		(275,028,896)	(251,276,991)	(5,428,084)	(5,638,542)
Finance Cost	6.1	(39,244,246)	(52,445,220)	(272)	(296)
Finance Income	6.2	34,177,401	16,902,120	-	-
Profit/(Loss) before Tax	7	206,995,486	161,735,441	11,071,809	(5,638,838)
Income Tax Expenses	8	(30,107,067)	(8,100,721)	(1,500,015)	-
Profit/(Loss) for the year		176,888,419	153,634,720	9,571,794	(5,638,838)
Other Comprehensive Income					
Actuarial Loss on Defined Benefit Plan		(233,681)	-	-	-
Income tax effect		23,368	-	-	-
Other comprehensive Loss for the year, net of tax		(210,313)	-	-	-
Total Comprehensive Income for the Year, net of tax		176,678,106	153,634,720	9,571,794	(5,638,838)
Basic Earnings/(Loss) per Share	9	1.60	1.39	0.09	(0.05)

The Accounting Policies and Notes on pages 96 to 124 form an integral part of these Financial Statements.

Statements of Financial Position

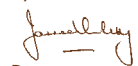
As at 31 March	Note	Group		Company	
		2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
ASSETS					
Non-Current Assets					
Property, Plant and Equipment	10	1,104,286,969	1,180,138,917	-	-
Investments in Subsidiary	11	-	-	1,000,009,990	1,000,009,990
Intangible Assets	12	5,149,607	6,007,177	-	-
		1,109,436,576	1,186,146,094	1,000,009,990	1,000,009,990
Current Assets					
Inventories	14	16,610,216	15,233,347	-	-
Trade and Other Receivables	15	55,472,989	59,351,959	-	-
Advances and Prepayments		19,623,520	17,571,444	-	-
Income Tax Receivables		137,474	162,841	137,474	137,474
Short Term Deposits	16	175,000,000	200,000,000	-	-
Cash and Bank Balances	17	20,913,732	12,249,166	36,159	36,449
		287,757,931	304,568,757	173,633	173,923
Total Assets		1,397,194,507	1,490,714,851	1,000,183,623	1,000,183,913
EQUITY AND LIABILITIES					
Capital and Reserves					
Stated Capital	18	1,108,866,840	1,108,866,840	1,108,866,840	1,108,866,840
Accumulated Profits / (Losses)		105,893,300	(70,784,807)	(127,156,407)	(136,728,201)
Total Equity		1,214,760,140	1,038,082,033	981,710,433	972,138,639
Non-Current Liabilities					
Interest Bearing Loans and Borrowings	13.1	12,451,755	296,709,848	-	-
Retirement Benefit Obligation	19	6,691,399	5,219,145	-	-
Deferred Tax Liability	8.3	25,996,558	24,283,646	-	-
		45,139,712	326,212,639	-	-
Current Liabilities					
Trade and Other Payables	20	68,379,207	48,321,771	18,473,175	28,044,202
Income Tax Payables		10,670,055	-	-	-
Interest Bearing Loans and Borrowings	13.1	58,245,393	78,098,408	15	1,072
		137,294,655	126,420,179	18,473,190	28,045,274
Total Equity and Liabilities		1,397,194,507	1,490,714,851	1,000,183,623	1,000,183,913

These Financial Statements are in compliance with the requirements of the Companies Act No. 7 of 2007.



Chief Financial Officer

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



Director



Director

The Accounting Policies and Notes on pages 96 to 124 form an integral part of these Financial Statements.

16th May 2014
Colombo

Statement of Changes in Equity

Group	Stated Capital Rs.	Accumulated Profit/(Losses) Rs.	Total Rs.
Balance as at 01 April 2012	1,108,866,840	(224,419,527)	884,447,313
Profit for the year	-	153,634,720	153,634,720
Balance as at 31 March 2013	1,108,866,840	(70,784,807)	1,038,082,033
Profit for the year	-	176,888,419	176,888,419
Other Comprehensive Income	-	(210,313)	(210,313)
Balance as at 31 March 2014	1,108,866,840	105,893,300	1,214,760,140

Company	Stated Capital Rs.	Accumulated Losses Rs.	Total Rs.
Balance as at 1 April 2012	1,108,866,840	(131,089,363)	977,777,477
Loss for the year	-	(5,638,838)	(5,638,838)
Balance as at 31 March 2013	1,108,866,840	(136,728,201)	972,138,639
Profit for the year	-	9,571,794	9,571,794
Balance as at 31 March 2014	1,108,866,840	(127,156,407)	981,710,433

The Accounting Policies and Notes on pages 96 to 124 form an integral part of these Financial Statements.

Cash Flow Statement

Year ended 31 March	Note	Group		Company	
		2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Cash Flows from/(used in) Operating Activities					
Profit/(Loss) before Tax		206,995,486	161,735,441	9,571,794	(5,638,838)
Adjustments for					
Depreciation	10	104,898,485	106,363,164	-	-
Amortization	12	1,502,764	1,237,811	-	-
Finance Cost	6.1	39,244,246	52,445,220	-	-
Finance Income	6.2	(34,177,401)	(16,902,120)	-	-
Dividend Income		-	-	(16,500,165)	-
Exchange Gain		(2,450,470)	(4,321,521)	-	-
Loss/(Profit) on Disposal of Property, Plant and Equipment	5	99,574	(7,481,355)	-	-
Provision for Defined Benefit Obligation		1,924,828	2,087,327	-	-
Operating Profit/(Loss) before Working Capital Changes		318,037,512	295,163,967	(6,928,371)	(5,638,838)
(Increase)/Decrease in Inventories		(1,376,869)	(1,342,282)	-	-
(Increase)/Decrease in Trade and Other Receivables		1,826,894	3,985,890	-	-
Increase/(Decrease) in Trade and Other Payables		19,381,881	(7,173,584)	(9,571,027)	5,638,542
Cash Generated from/(used in) Operations		337,869,418	290,633,991	(16,499,398)	(296)
Finance Cost paid	6.1	(39,244,246)	(52,445,220)	-	-
Defined Benefit Obligation paid	19	(686,255)	(749,310)	-	-
Tax paid		(16,224,680)	(2,491,321)	-	-
Net Cash from/(used in) Operating Activities		281,714,237	234,948,140	(16,499,398)	(296)
Cash Flows from/(used in) Investing Activities					
Proceeds from Disposal of Property Pant and Equipment		(99,574)	7,481,355	-	-
Acquisition of Property, Plant and Equipment	10.4	(29,821,666)	(27,659,757)	-	-
Acquisition of Intangible Assets	12	(645,194)	(1,055,932)	-	-
Net Investment in Short term deposits	16	25,000,000	(160,000,000)		
Finance Income Received	6.2	34,177,401	16,902,120	-	-
Dividend Received		-	-	16,500,165	-
Net Cash from/(used in) Investing Activities		28,610,967	(164,332,214)	16,500,165	-
Cash Flows from/(used in) Financing Activities					
Repayment of Bank Loans	13.2	(279,000,000)	(73,512,694)	-	-
Principal Payments under Finance Lease Liabilities	13.3	(10,241,693)	(7,398,511)	-	-
Net Cash from/(used in) Financing Activities		(289,241,693)	(80,911,205)	-	-
Effect of Exchange Rate changes on Cash and Cash Equivalents		2,450,470	4,321,521	-	-
Net Increase/(Decrease) in Cash and Cash Equivalents		21,083,510	(10,295,278)	767	(296)
Cash and Cash Equivalents at the beginning of the year		(4,496,446)	1,477,310	35,377	35,673
Cash and Cash Equivalents at the end of the year	17	19,037,534	(4,496,446)	36,144	35,377

The Accounting Policies and Notes on pages 96 to 124 form an integral part of these Financial Statements.

Notes to the Financial Statements

1. CORPORATE INFORMATION

1.1 Reporting Entity

The Fortress Resorts PLC ("the Company") is a public limited liability Company incorporated and domiciled in Sri Lanka. The ordinary shares of the Company are listed on the Colombo Stock Exchange of Sri Lanka. The registered office of the Company is located at Level 27, East Tower, World Trade Center, Colombo - 01 and the principal place of business is situated at Koggala.

The Consolidated Financial Statements of the Company for the year ended 31 March 2014 comprise the Company and its subsidiary (together referred to as "the Group").

The Company has invested in its wholly owned subsidiary Company "La Forteresse (Private) Limited".

1.2 Principal Activities and Nature of Operations

The principal activities of the Subsidiary is provision of lodging, food, beverage and other hospitality industry related activities.

1.3 Parent Entity and Ultimate Parent Entity

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

The Financial Statements of all companies in the Group are prepared for a common financial year, which ends on 31 March and are incorporated in Sri Lanka.

1.4 Date of Authorisation for Issue

The Consolidated Financial Statements of the Group for the year ended 31 March 2014 were authorised for issue in accordance with a resolution of the Board of Directors on 16 May 2014.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

The Consolidated Financial Statements have been prepared in accordance with the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, which requires compliance with Sri Lanka Accounting Standards promulgated by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka), and with the requirements of the Companies Act No. 7 of 2007.

2.1.2 Basis of Measurement

The Financial Statements have been prepared on the historical cost basis unless stated otherwise and accounting policies are applied consistently.

2.1.3 Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 March 2014.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

2.1.3.1 Subsidiary

The subsidiary and its controlling percentage of the Group, which have been consolidated, are as follows:

Subsidiary	2014	2013
La Forteresse (Private) Limited	100%	100%

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

2.1.4 Functional and presentation currency

The Financial Statements are presented in Sri Lankan Rupee, which is the Group's functional currency.

2.1.5 Going Concern

The Directors have made an assessment of the Group's ability to continue as a going concern and they do not intend either to liquidate or to cease trading and operations.

2.1.6 Comparative Information

The accounting policies have been consistently applied by the Group and, are consistent with those used in the previous year. Previous year's figures and phrases have been re-arranged whenever necessary to conform to current presentation.

The Group applied IKAS 19-Employee Benefits (Revised 2013) in the current period. Accordingly Actuarial Gain and Loss is recognised in full in other comprehensive income whereas it was previously recognised in full in the income statement. The Financial Statements for the previous year have not been restated for the net actuarial loss amounting to Rs. 562,512/- as the effect is immaterial.

2.1.7 Materiality and Aggregation

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

2.2 Summary of Significant Accounting Policies

The following are the significant accounting policies applied by the Group/Company in preparing its consolidated financial statements:

2.2.1 Functional and Presentation Currency

The Group's Consolidated Financial Statements are presented in Sri Lanka Rupees, which is the functional and presentation currency of the Group. Transactions in foreign currencies are translated to the functional currency of Group entities at exchange rulings applicable on the dates of the transaction.

Transactions in foreign currencies are initially recorded by the Group at the functional currency rates prevailing 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.

All differences are taken to the income statement.

Non-monetary assets and liabilities which are carried in terms of historical cost in a foreign currency are translated at the exchange rate that prevailed at the date of the transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on retranslation of non-monetary items is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively)

2.2.2 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably 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 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 specific recognition criteria described below must also be met before revenue is recognised.

Room revenue

Room revenue is recognised on the rooms occupied on a daily basis and food and beverage and other hotel related sales are accounted for at the point of sales.

Interest income

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

Rental income

Rental income is recognised in profit and loss as it accrues.

Gains and losses on Disposal of Assets

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

2.2.3 Taxation

Current Taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit and loss except to the extent that it relates to items recognised directly in equity, when it is recognised in equity.

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

La Forteresse (Private) Limited

Pursuant to agreement dated 08 July 2004, entered into with Board of Investments of Sri Lanka under section 17 of the Board of Investment Law No. 04 of 1978, the provision of the Inland Revenue Act No. 10 of 2006 relating to the imposition, payment and recovery of income tax in respect of the profit and income of the Company shall not apply for a period of five (05) years reckoned from the year of assessment as may be determined by the Board ("the tax exemption period").

Notes to the Financial Statements

For the above purpose the year of assessment shall be reckoned from the year in which the Company commences to make profits or any year of assessment not later than two (02) years reckoned from the date of commencement of commercial operations whichever comes first, as may be specified in a certificate issued by the Board. This exemption period commenced on 01 April 2008 and expired on 31 March 2013.

From 01 April 2013 onwards La Fortresse (Private) Limited is liable to pay income tax at a rate of 10% for a period of 2 years ending 31 March 2015 and thereafter applicable tax rate is 12%.

Deferred Taxation

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

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

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

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

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

- In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date. Tax withheld on dividend income from subsidiaries and equity accounted investees is recognised as an expense in the Consolidated Income Statement at the same time as the liability to pay the related dividend is recognised.

Sales tax

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

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- Receivables and payables that are stated with the amount of sales tax included

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position

2.2.4 Expenses

All expenditure incurred in the running of the business has been charged to income in arriving at the profit for the year.

Repairs and renewals are charged to profit and loss in the year in which the expenditure is incurred.

2.2.4.1 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred, except to the extent that they are directly attributable to the acquisition, construction or production of a qualifying asset, in which case they are capitalised as part of the cost of that asset.

2.2.4.2 Finance costs

Finance costs comprise interest expense on borrowings that are recognised in profit or loss. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

2.2.5 Property, Plant and Equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the income statement as incurred.

Any revaluation surplus is recorded in other comprehensive income and hence, credited to the asset revaluation reserve in equity, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the income statement, in which case, the increase is recognised in the income statement. A revaluation deficit is recognised in the income statement, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

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

Depreciation is recognised in the Statement of Income on a straight-line basis over the estimated useful lives of each part of an item of Property, Plant and Equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

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

	2014	2013
Buildings on Leasehold Land – Hotel	Over the Lease Period	Over the Lease Period
Buildings on Leasehold Land – Administration	Over the Lease Period	Over the Lease Period
Plant and Equipments	10 years	10 years
Furniture and Fittings	10 years	10 years
Fixtures and Fittings	10 years	10 years
Computer Equipments	05 years	05 years
Telephone Equipments	04 years	04 years
Kitchen Equipments	04 years	04 years
Electrical Equipments	10 years	10 years
Linen and Furnishing	04 years	04 years
Crockery of Cutlery	04 years	04 years
Other Equipments	04 years	04 years
Air-conditioners	10 years	10 years
Motor Vehicles	05 years	05 years

Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale in accordance with SLFRS 5 and the date that the asset is derecognised. Therefore, depreciation does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated.

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

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

Notes to the Financial Statements

2.2.5.1 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Group as a lessee

Finance leases that transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability.

Finance charges are recognised in finance costs in the income statement.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an operating expense in the income statement on a straight-line basis over the lease term.

2.2.6 Intangible Assets

An intangible asset acquired separately is measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the income statement in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as finite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an

intangible asset with a finite useful life is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement 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.

2.2.7 Inventories

Inventories are measured at the lower of cost and net realisable value. The general basis on which cost is determined is:

Food and Beverages	} Weighted Average Basis
House Keeping and Maintenance	
Other	

Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and selling expenses.

2.2.8 Financial instruments – initial recognition and subsequent measurement

i) Financial assets

Initial recognition and measurement

Financial assets within the scope of LKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or

convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

The Group's financial assets include cash and short-term deposits, trade and other receivables, loans and other receivables, unquoted financial instruments and derivative financial instruments.

Subsequent measurement

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the EIR method, less impairment. 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 in finance income in the income statement. The losses arising from impairment are recognised in the income statement in finance costs for loans and in cost of sales or other operating expenses for receivables.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset,

nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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

ii) Impairment of financial assets

The Group assesses, at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and when observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit

Notes to the Financial Statements

losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the income statement. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the income statement.

iii) Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value plus, in the case of loans and borrowings, directly attributable transaction costs.

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

Subsequent measurement

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

Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the income statement 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 in finance costs in the income statement.

Derecognition

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

iv) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if:

- There is a currently enforceable legal right to offset the recognised amounts And
- There is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously

v) Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques.

Such techniques may include:

- Using recent arm's length market transactions
- Reference to the current fair value of another instrument that is substantially the same
- A discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 13.4

2.2.9 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are

included as a component of cash and cash equivalents for the purpose of the Statement of Cash Flows.

2.2.10 Impairment of non- financial assets

The carrying amounts of the Group's non financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated at each reporting date or more frequently, if events or changes in circumstances indicate that they might be impaired.

2.2.10.1 Calculation of recoverable amount

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

2.2.10.2 Impairment/ Reversal of impairment

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

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

2.2.11 Provisions

2.2.11.1 General

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic

benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

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

2.2.11.2 Post Employment Benefits

i) Defined Benefit Plan - Gratuity

Gratuity is a defined benefit plan. The Group is liable to pay gratuity in terms of relevant statute.

The Group measures the present value of the promised retirement benefits of gratuity which is a defined benefit plan with the advice of an actuary every year using "Project Unit Credit Method". An actuarial valuation of the gratuity liability of the Company as at 31 March 2014 was undertaken by Actuarial and Management Consultants (Pvt) Ltd, a firm of professional actuaries. The result of such valuation was incorporated in these Financial Statements.

The Group's accounting policy for defined benefit plans is to recognise actuarial gains and losses in the period in which they occur in full in Other Comprehensive Income.

Further, this liability is not externally funded.

ii) Defined Contribution Plans - Employees' Provident Fund and Employees' Trust Fund

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

Notes to the Financial Statements

2.3 Significant Accounting Judgements, Estimates and Assumptions

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

Estimates and assumptions

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

Taxes

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

The Group has tax losses carried forward amounting to Rs. 41,916,608/- (2013 - Rs. 41,916,608/-). These losses relate to The Fortress Resort PLC that has a history of losses. A deferred tax asset has not been recognised in respect of this tax loss and other temporary differences which has resulted deferred tax assets as it is anticipated that the deferred tax asset will not realise in the foreseeable future. Further details on taxes are disclosed in Note 8.2.

Retirement Benefit Obligation

The cost of retirement benefit obligation and the present value of the retirement benefit obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount

rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of long term government bonds, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The underlying bonds are further reviewed for quality. Future salary increases and pension increases are based on expected future inflation rates for the respective country.

Further details about the assumptions used are given in Note 19.2.

3. STANDARDS ISSUED BUT NOT YET EFFECTIVE

The following SLFRS have been issued by the Institute of Chartered Accountants of Sri Lanka that have an effective date in the future and have not been applied in preparing these financial statements. Those SLFRS will have an effect on the accounting policies currently adopted by the Group and may have an impact on the future financial statements.

(i) SLFRS 9 -Financial Instruments: Classification and Measurement

SLFRS 9, as issued reflects the first phase of work on replacement of LKAS 39 and applies to classification and measurement of financial assets and liabilities. This standard was originally effective for annual periods commencing on or after 01 January 2015. However, the original effective date has been deferred and revised effective date is yet to be announced.

(ii) SLFRS 13 -Fair Value Measurement

SLFRS 13 establishes a single source of guidance under SLFRS for all fair value measurements. This standard will be effective for annual periods beginning on or after 01 January 2014.

However use of fair value measurement principles contained in this standard are currently recommended.

In addition to the above, following standards will also be effective for annual periods commencing on or after 01 January 2014.

SLFRS 10 – Consolidated Financial Statements

SLFRS 11 – Joint Arrangements

SLFRS 12 – Disclosure of Interests in Other Entities

The above package of three standards will impact the recognition, measurement and disclosures aspects currently contained in LKAS 27-Consolidated and separate financial statements, LKAS 28- Investments in associates ,LKAS 31-Interest in joint ventures and SIC-12 and SIC 13 which are on consolidation of special purpose entities(SPEs) and jointly controlled entities respectively.

Establishing a single control model that applies to all entities including SPEs and removal of the option to proportionate consolidate Jointly controlled entities are the significant changes introduced under SLFRS 10 and SLFRS 11 respectively.

SLFRS 12 establishes a single standard on disclosures related to interests in other entities. This incorporates new disclosures as well as disclosures currently required under (as per ones previously captured in earlier versions of) LKAS 27, LKAS 28 and LKAS 31.

The Company will adopt these standards when they become effective. Pending the completion of detailed review, the financial impact is not reasonably estimable as at the date of publication of these financial statements.

Associates, LKAS 31-Interest in joint ventures and SIC-12 and SIC 13 which are on consolidation of special purpose entities(SPEs) and jointly controlled entities respectively.

Establishing a single control model that applies to all entities including SPEs and removal of the option to proportionate consolidate Jointly controlled entities are the significant changes introduced under SLFRS 10 and SLFRS 11 respectively.

SLFRS 12 establishes a single standard on disclosures related to interests in other entities. This incorporates new disclosures as well as disclosures currently required under (as per ones previously captured in earlier versions of) LKAS 27, LKAS 28 and LKAS 31.

The Group will adopt these standards when they become effective. Pending the completion of detailed review, the financial impact is not reasonably estimable as at the date of publication of these financial statements.

Notes to the Financial Statements

4. REVENUE

	Group		Company	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Revenue (Note 4.1)	650,526,146	577,724,141	-	-
	650,526,146	577,724,141	-	-
4.1 Revenue				
Apartment Revenue	409,210,092	358,711,091	-	-
Restaurant Sales	155,830,497	140,711,704	-	-
Bar Sales	60,029,197	55,966,965	-	-
Spa Income	25,456,360	22,334,381	-	-
	650,526,146	577,724,141	-	-

5. OTHER INCOME AND GAINS

	Group		Company	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Laundry Income	3,008,426	2,908,663	-	-
Transport Income	3,897,322	4,045,137	-	-
Excursions Income	7,220,179	5,525,177	-	-
Boutique Income	3,686,333	2,841,270	-	-
Telephone Income	15,227	24,529	-	-
Exchange Gain	2,450,470	4,321,521	-	-
Sundry Income	9,742,058	12,892,994	-	-
Dividend Income	-	-	16,500,165	-
Profit on Disposal Property, Plant and Equipment	-	7,481,355	-	-
	30,020,015	40,040,646	16,500,165	-

6. FINANCE COSTS AND INCOME

	Group		Company	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
6.1 Finance Costs				
Interest Expense on Bank Loans	35,297,268	48,683,288	-	-
Interest Expense on Bank Overdrafts	5,074	3,608	272	296
Finance Charges on Lease Liabilities	3,941,904	3,758,324	-	-
	39,244,246	52,445,220	272	296
6.2 Finance Income				
Interest Income	34,177,401	16,902,120	-	-
	34,177,401	16,902,120	-	-

7. PROFIT/(LOSS) BEFORE TAX

	Group		Company	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Stated after Charging				
Included in Cost of Sales				
Employees Benefits including the following	36,807,160	30,078,989	-	-
- Defined Benefit Plan Cost - Gratuity (included in Employee Benefits)	590,166	453,659	-	-
- Defined Contribution Plan Cost - EPF and ETF (included in Employee Benefits)	3,063,976	2,740,126	-	-
Depreciation	18,845,456	11,816,982	-	-
Included in Administrative Expense				
Employees Benefits including the following	53,929,236	47,036,203	-	-
- Defined Benefit Plan Cost - Gratuity (included in Employee Benefits)	1,334,662	1,693,731	-	-
- Defined Contribution Plan Cost - EPF and ETF (included in Employee Benefits)	4,834,244	4,105,099	-	-
Depreciation	86,053,029	94,546,182	-	-
Amortisation of Intangible Assets	1,502,764	1,237,811	-	-
Audit Fees	1,050,144	790,390	230,264	209,149
Charity and Donations	175,625	523,500	-	-
Land Rent	2,085,907	2,034,727	-	-
Loss on Disposal of Property, Plant and Equipment	99,574	-	-	-
Included in Selling and Marketing Expenses				
Advertising	10,239,132	10,775,352	-	-

8. INCOME TAX EXPENSE

The major components of income tax expense for the years ended 31 March

	Group		Company	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Income Statement				
Current Income Tax				
Current Income Tax Charge (Note 8.1)	26,870,772	4,732,594	-	-
Dividend Tax	1,500,015	-	1,500,015	-
Deferred Income Tax				
Deferred Taxation Charge/(Reversal) (Note 8.3)	1,736,280	3,368,127	-	-
Income tax expense reported in the Income Statement	30,107,067	8,100,721	1,500,015	-

Notes to the Financial Statements

8. INCOME TAX EXPENSE (CONTD.)

8.1 A reconciliation between income tax expense and the product of accounting profit multiplied by the statutory tax rate is as follows;

	Group		Company	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Taxable Profit/(Loss) from Business				
Accounting Profit/(Loss) before Income Tax	206,995,486	161,735,441	9,571,794	(5,638,838)
Disallowed Items	151,830,206	-	-	-
Allowed Items	(151,637,295)	-	-	-
Exempted Profit	-	(150,472,160)	(9,571,794)	-
Interest Income	(34,177,401)	(16,902,120)	-	-
Taxable Profit/(Loss) from Business	173,010,996	(5,638,839)	-	(5,638,838)
Other Sources of Income				
Interest Income	34,177,401	16,902,120	-	-
Taxable Other Income	34,177,401	16,902,120	-	-
Total Statutory Income	207,188,397	-	-	(5,638,838)
Total Taxable Income	207,188,397	-	-	(5,638,838)
Income Tax 10%	17,301,100	-	-	-
Income Tax 28%	9,569,672	4,732,594	-	-
Current Income Tax Charges	26,870,772	4,732,594	-	-
Effective Tax Rate	13%	3%	0%	0%
8.2 Tax Losses Utilized				
Tax Losses Brought Forward	41,916,608	41,916,608	41,916,608	41,916,608
Tax Losses Carried Forward	41,916,608	41,916,608	41,916,608	41,916,608

La Forteresse (Private) Limited

The profit and income from business of La Forteresse (Private) Limited is liable for income tax as stated in Note 2.2.3 of these Financial Statements.

8.3 Deferred Tax - Group

	Statement of Financial Position		Income Statement	
	2014	2013	2014	2013
	Rs.	Rs.	Rs.	Rs.
Deferred Tax Liability				
Directly Charged to Equity	25,073,724	25,073,724	-	-
Capital Allowances for Tax Purpose	1,591,973	(268,164)	1,860,137	3,501,929
	26,665,698	24,805,560	1,860,137	3,501,929
Deferred Tax Assets				
Retirement Benefit Obligation - Through Income Statement	(645,772)	(521,915)	(123,857)	(133,802)
Retirement Benefit Obligation - Through Other Comprehensive Income	(23,368)	-	-	-
	(669,140)	(521,915)	(123,857)	(133,802)
Deferred Taxation Charge/(Reversal)			1,736,280	3,368,127
Net Deferred Tax Liability	25,996,558	24,283,646		
8.3.1 Reconciliation of Deferred Tax Charge / (Reversal)				
Deferred Tax Charge reported in the Income Statement			1,736,280	3,368,127
Deferred Tax Charge reported in Other Comprehensive Income			(23,368)	-
			1,712,912	3,368,127

The Group offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.

The Fortress Resorts PLC has a tax loss amounting to Rs. 41,916,608/- (2013 - Rs. 41,916,608/-) which is available indefinitely for offsetting against future Statutory Income of the Company subject to a limit of 28% of Statutory Income in each year of assessment. A deferred tax asset amounting to Rs. 11,736,650/- (2013 - Rs. 11,736,650/-) has not been recognised in respect of this tax loss and other temporary differences which has resulted deferred tax assets as it is anticipated that the deferred tax asset will not realise in the foreseeable future.

9. EARNINGS/(LOSS) PER SHARE

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

The following reflects the income and share data used in the basic earnings/(loss) per share computations.

9.1 Amounts used as the Numerator

	Group		Company	
	2014	2013	2014	2013
	Rs.	Rs.	Rs.	Rs.
Profit/(Loss) attributable to Ordinary Shareholders for Basic Earnings/(Loss) per Share	176,888,419	153,634,720	9,571,794	(5,638,838)

Notes to the Financial Statements

9. EARNINGS/(LOSS) PER SHARE (CONTD.)

9.2 Number of Ordinary Shares Used as the Denominator

	2014 Number	Group 2013 Number	2014 Number	Company 2013 Number
Weighted Average Number of Ordinary Shares applicable to Basic Earnings/(Loss) per Share	110,886,684	110,886,684	110,886,684	1,108,866,840

10. PROPERTY, PLANT AND EQUIPMENT - GROUP

10.1 Gross Carrying Amounts

	Balance As at 01.04.2013 Rs.	Additions Rs.	Disposals Rs.	Balance As at 31.03.2014 Rs.
At Cost/ Deemed Cost				
Buildings on Leasehold Land - Hotel	910,770,354	2,247,546	-	913,017,900
- Administration	44,495,390	-	-	44,495,390
Plant and Equipment	17,177,433	31,400	-	17,208,833
Furniture and Fittings	106,005,700	3,591,786	(3,000)	109,594,486
Fixtures and Fittings	40,620,646	3,883,130	-	44,503,776
Computer Equipment	11,951,932	3,923,275	-	15,875,207
Telephone Equipment	1,750,043	22,479	-	1,772,522
Kitchen Equipment	42,436,879	3,573,568	-	46,010,447
Electrical Equipment	107,864,363	8,235,887	(60,000)	116,040,250
Linen and Furnishing	12,089,230	1,040,812	(1,929,376)	11,200,666
Cutlery and Crockery	17,930,687	941,293	(2,562,349)	16,309,631
Other Equipment	13,620,597	893,361	-	14,513,958
Air Conditioners	11,845,393	79,986	-	11,925,379
Motor Vehicles	-	1,357,143	-	1,357,143
	1,338,558,647	29,821,666	(4,554,725)	1,363,825,588
Assets on Finance Leases				
Motor Vehicles	44,510,406	-	-	44,510,406
	44,510,406	-	-	44,510,406
Total Gross Carrying Amount	1,383,069,053	29,821,666	(4,554,725)	1,408,335,994

10.2 Depreciation

	Balance As at 01.04.2013 Rs.	Charge for the year Rs.	Disposals Rs.	Balance As at 31.03.2014 Rs.
At Cost/ Deemed Cost				
Buildings on Leasehold Land - Hotel	53,066,573	26,692,828	-	79,759,401
- Administration	3,675,636	1,547,033	-	5,222,669
Plant and Equipment	5,472,435	2,774,669	-	8,247,104
Furniture and Fittings	33,300,769	17,513,387	(1,416)	50,812,740
Fixtures and Fittings	10,073,351	5,866,206	-	15,939,557
Computer Equipment	8,624,132	965,287	-	9,589,419
Telephone Equipment	1,571,135	73,857	-	1,644,992
Kitchen Equipment	14,324,512	13,811,433	-	28,135,945
Electrical Equipment	35,669,398	17,604,889	(29,167)	53,245,120
Linen and Furnishing	6,866,090	1,945,051	(1,840,219)	6,970,922
Cutlery and Crockery	7,948,660	4,573,357	(1,908,794)	10,613,223
Other Equipment	11,043,941	1,073,874	-	12,117,815
Air Conditioners	2,139,292	1,366,539	-	3,505,831
Motor Vehicles	-	226,190	-	226,190
	193,775,923	96,034,600	(3,779,596)	286,030,927
Assets on Finance Leases				
Motor Vehicles	9,154,213	8,863,885	-	18,018,098
	9,154,213	8,863,885	-	18,018,098
Total Depreciation	202,930,136	104,898,485	(3,779,596)	304,049,025

Notes to the Financial Statements

10. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

10.3 Net Book Values

	2014 Rs.	2013 Rs.
At Cost/ Deemed Cost		
Buildings on Leasehold Land - Hotel	833,258,499	857,703,781
- Administration	39,272,721	40,819,754
Plant and Equipment	8,961,729	11,704,998
Furniture and Fittings	58,781,746	72,704,931
Fixtures and Fittings	28,564,219	30,547,295
Computer Equipment	6,285,788	3,327,800
Telephone Equipment	127,530	178,908
Kitchen Equipment	17,874,502	28,112,367
Electrical Equipment	62,795,130	72,194,965
Linen and Furnishing	4,229,744	5,223,140
Cutlery and Crockery	5,696,408	9,982,027
Other Equipment	2,396,143	2,576,656
Air Conditioners	8,419,548	9,706,101
Motor Vehicles	1,130,953	-
	1,077,794,661	1,144,782,724
Assets on Finance Leases		
Motor Vehicles	26,492,308	35,356,193
Total Carrying Amount of Property, Plant and Equipment	1,104,286,969	1,180,138,917

10.4 During the financial year, the Group acquired property, plant and equipment to the aggregate value of Rs. 29,821,666/- (2013 - Rs. 51,331,300/-). Cash payments amounting to Rs. 29,821,666/- (2013 - Rs. 27,659,757/-) were made during the year for purchase of Property, Plant and Equipment.

10.5 The hotel and administration buildings of the Group were constructed on leasehold lands from the Ceylon Tourist Board and Board of Investment of Sri Lanka for a period of 40 years and 30 years at rentals of Rs. 1,558,908/- and Rs. 219,615/- per annum respectively.

10.6 Property, plant and equipment of the Group includes fully depreciated assets having a gross carrying amounts of Rs. 133,821,367/- (2013 - Rs. 123,115,733/-).

11. INVESTMENT IN SUBSIDIARY - COMPANY/ GROUP

11.1 Non-Quoted Investments

	2014 %	2013 %	2014 Rs.	Cost 2013 Rs.	Director's Valuation 2014 Rs.	2013 Rs.
La Forteresse (Private) Limited	100	100	1,000,009,990	1,000,009,990	1,000,009,990	1,000,009,990

12. INTANGIBLE ASSETS - GROUP

12.1 Cost

	Balance As at 01.04.2013 Rs.	Additions Rs.	Disposals Rs.	Balance As at 31.03.2014 Rs.
	7,244,988	645,194	-	7,890,182
Computer Software	7,244,988	645,194	-	7,890,182

12.2 Amortisation

	1,237,811	1,502,764	-	2,740,575
Computer Software	1,237,811	1,502,764	-	2,740,575

12.3 Net Book Values

	2014 Rs.	2013 Rs.
Computer Software	5,149,607	6,007,177

Intangible Asset is amortised over 05 years

13. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES

13.1 Interest Bearing Loans and Borrowings - Group

	Interest Rate	2014 Rs.	2013 Rs.
Current Interest Bearing Loans and Borrowings			
Other Current Loans (Note 13.2)	AWDR + 4%	45,000,000	51,111,120
Bank Overdrafts		1,876,198	16,745,612
Obligation Under the Financial Lease (Note 13.3)		11,369,195	10,241,675
Total Current Interest Bearing Loans and Borrowings		58,245,393	78,098,407
Non Current Interest Bearing Loans and Borrowings			
Other Non Current Loans (Note 13.2)	AWDR + 4%	-	272,888,880
Obligation Under the Financial Lease (Note 13.3)		12,451,755	23,820,968
Total Non Current Interest Bearing Loans and Borrowings		12,451,755	296,709,848
Total Interest Bearing Loans and Borrowings		70,697,148	374,808,255

Notes to the Financial Statements

13. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTD.)

13.2 Bank Loans

	Balance As at 01.04.2013 Rs.	Loans Obtained Rs.	Repayments Rs.	Balance As at 31.03.2014 Rs.
Bank of Ceylon				
Term Loan - 1	324,000,000	-	(279,000,000)	45,000,000
	324,000,000	-	(279,000,000)	45,000,000
			2014 Rs.	2013 Rs.
Current			45,000,000	51,111,120
Non Current			-	272,888,880
Total			45,000,000	324,000,000

* Note 22 provides the details of assets pledge relating to the above bank loan

13.3 Finance Leases

	Balance As at 01.04.2013 Rs.	New Leases Obtained Rs.	Repayments Rs.	Balance As at 31.03.2014 Rs.
Pan Asia Banking Corporation PLC	37,779,994	-	(12,798,251)	24,981,743
Bank of Ceylon	4,040,610	-	(1,385,352)	2,655,258
Gross Liability	41,820,604	-	(14,183,603)	27,637,001
Finance Charges allocated to Future periods	(7,757,961)	-	3,941,910	(3,816,051)
Net Liability	34,062,643	-	(10,241,693)	23,820,950
			2014 Rs.	2013 Rs.
Current			11,369,195	10,241,675
Non Current			12,451,755	23,820,968
Total			23,820,950	34,062,643

* Note 21 provides the details of the above finance leases.

13.4 Fair Values - Group

	Carrying Amount		Fair Values	
	2014	2013	2014	2013
Financial Assets				
Trade and Other Receivables	55,472,989	59,351,959	55,472,989	59,351,959
Short Term Deposits	175,000,000	200,000,000	175,000,000	200,000,000
Cash and cash equivalents other than bank overdraft	20,913,732	12,249,166	20,913,732	12,249,166
Total	251,386,721	271,601,125	251,386,721	271,601,125
Financial Liabilities				
Interest Bearing Loans and Borrowings				
Financial Lease	23,820,950	34,062,643	23,820,950	34,062,643
Fixed rate Borrowings	45,000,000	324,000,000	45,000,000	324,000,000
Trade and other payables	68,379,207	48,321,771	68,379,207	48,321,771
Bank Overdraft	1,876,198	16,745,612	1,876,198	16,745,612
Total	139,076,355	423,130,026	139,076,355	423,130,026

13.5 Fair Values - Company

Financial Assets				
Cash and Shortterm Deposits	36,159	36,449	36,159	36,449
Total	36,159	36,449	36,159	36,449
Financial Liabilities				
Trade and other payables	18,473,175	28,044,202	18,473,175	28,044,202
Bank Overdraft	15	1,072	15	1,072
Total	18,473,190	28,045,274	18,473,190	28,045,274

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

- Cash and short-term deposits, trade receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.
- Long-term fixed-rate and variable-rate receivables / borrowings are evaluated by the Group based on parameters such as interest rates, specific country risk factors, individual creditworthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, allowances are taken to account for the expected losses of these receivables. As at 31 March 2014, the carrying amounts of such receivables, net of provision for impairment, are not materially different from their calculated fair values.

Notes to the Financial Statements

14. INVENTORIES - GROUP

	2014 Rs.	2013 Rs.
Food and Beverages	6,651,037	6,425,297
House Keeping and Maintenance	7,376,241	7,252,840
Others	2,582,939	1,555,210
	16,610,216	15,233,347

15. TRADE AND OTHER RECEIVABLES - GROUP

	2014 Rs.	2013 Rs.
Trade Receivables	55,472,989	59,351,959
	55,472,989	59,351,959

Trade receivables are non-interest bearing and are generally on terms of 0 - 120 days.

As at 31 March, the ageing analysis of trade receivables are as follows:

	Total Rs.	Neither past due or nor Impaired Rs.	Past due but not impaired				
			< 30 days Rs.	31 - 60 days Rs.	61 - 90 days Rs.	91 - 120 days Rs.	> 120 days Rs.
2014	55,472,989	3,416,527	32,557,461	17,286,458	1,550,501	613,917	48,123
2013	59,351,959	6,677,395	32,349,371	16,141,483	3,633,136	479,652	70,922

Impairment of Debtors

- No impairment provision has been accounted for Trade Receivables.
- Refer Note 25 on credit risk of Trade Receivables, which discuss how the Group measure credit quality of Trade Receivables that are neither past due nor impairment.

16. SHORT TERM DEPOSITS - GROUP

	2014 Rs.	2013 Rs.
Investments in Fixed Deposits	175,000,000	200,000,000

17. CASH AND CASH EQUIVALENTS IN THE CASH FLOW STATEMENT

	Group		Company	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Components of Cash and Cash Equivalents				
Favorable Cash and Cash Equivalent Balances				
Cash and Bank Balances	20,913,732	7,174,010	36,159	36,449
Short term deposits with 3 months or before maturity	-	5,075,156	-	-
	20,913,732	12,249,166	36,159	36,449
Unfavorable Cash and Cash Equivalent Balances				
Bank Overdraft	(1,876,198)	(16,745,612)	(15)	(1,072)
Total Cash and Cash Equivalents for the Purpose of Cash Flow Statement	19,037,534	(4,496,446)	36,144	35,377

18. STATED CAPITAL - COMPANY/GROUP

	2014		2013	
	Number	Rs.	Number	Rs.
Fully paid Ordinary Shares	110,886,684	1,108,866,840	110,886,684	1,108,866,840
	110,886,684	1,108,866,840	110,886,684	1,108,866,840

19. RETIREMENT BENEFIT OBLIGATION - GROUP

	2014 Rs.	2013 Rs.
Defined Benefit Obligation - Gratuity		
Defined Benefit Obligation as at the beginning of the year	5,219,145	3,881,128
Current Service Cost	1,402,914	1,136,702
Interest Cost	521,914	388,113
Actuarial (Gain)/Loss	233,681	562,512
Benefit paid	(686,255)	(749,310)
Defined Benefit Obligation as at the end of the year	6,691,399	5,219,145
The expenses are recognised in the following line items in the statement of comprehensive income		
Cost of Sales	590,166	393,596
Administrative Expenses	1,334,662	1,693,731
Other Comprehensive Income	233,681	-
	2,158,509	2,087,327

19.1 The defined benefit obligation of the Group is based on the Messers. Actuarial and Management Consultants (Private) Limited, actuaries. Appropriate and compatible assumptions were used in determining the cost of defined benefits.

Notes to the Financial Statements

19. RETIREMENT BENEFIT OBLIGATION - GROUP (COND.T.)

19.2 The principle assumptions used were as follows,

	2014	2013
Discount Rate	11%	10%
Future Salary Increment Rate	10%	10%

19.3 Sensitivity of the principal assumptions used

	Expected Future Salaries		Discount Rate	
	1% increase Rs.	1% decrease Rs.	1% increase Rs.	1% decrease Rs.
Group				
Change in Present value of Defined Benefit Obligation	568,020	(504,209)	(470,765)	358,807

20. TRADE AND OTHER PAYABLES

	Group		Company	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Trade Creditors	17,885,911	15,591,429	-	-
Other Payables - Related Parties (Note 20.1)	-	80,937	18,239,975	27,874,802
- Other	47,776,914	30,177,117	-	-
Accrued Expenses	2,716,381	2,472,288	233,200	169,400
	68,379,207	48,321,771	18,473,175	28,044,202

Terms and Conditions of the above financial liabilities

- Trade and Other Payables are non-interest bearing
- Trade Payables are normally settled on 30 day terms

20.1 Other Payables - Related Parties

	Relationship	2014 Rs.	2013 Rs.
Company			
La Forteresse (Private) Limited	Subsidiary Company	18,239,975	27,874,802
Group			
Hotel Services Ceylon PLC	Affiliate	-	80,937

21. COMMITMENTS AND CONTINGENCIES

21.1 Capital Expenditure Commitments

The Group doesn't have significant capital commitment as at the reporting date.

21.2 Contingent Liabilities

The Group doesn't have significant contingent liabilities as at the reporting date.

21.3 Operating lease commitments - Group as lessee

The hotel building has been constructed in a Land which belongs to the Ceylon Tourist Board and the Group has entered in to a lease agreement with them starting from 01st August 2005 and ends on 31st July 2035. There is a possibility of extend the period for further 10 years if the Group is wishes to do so. Lease rentals are paid on monthly basis and rent is been revised for every five year intervals as per the agreement. The hotel service building is situated in a land belongs to BOI and entred in to a similar agreement with them starting from 28th January 2005 and ends on 27th January 2035. Rentals are been prefixed for the entire period and paid on yearly basis.

	2014	2013
Within one year	1,800,484	1,800,484
After one year but not more than five years	9,074,894	9,074,894
More than five years	28,495,739	30,296,223
	39,371,117	41,171,601

21.4 Finance lease commitments

The Group has finance leases for various Motor Vehicles. These leases have terms of renewal but no purchase options or escalation clauses. Renewals are at the option of the specific entity that holds the lease. Future minimum lease payments under finance leases with the present value of the net minimum lease payments are, as follows:

	2014		2013	
	Minimum payments	Present value of payments (Note 13)	Minimum payments	Present value of payments (Note 13)
Within one year	12,750,979	11,369,195	14,183,586	10,241,675
After one year but not more than five years	14,886,027	12,451,755	27,637,018	23,820,968
Total minimum lease payments	27,637,001	23,820,950	41,820,604	34,062,643
Less amounts representing finance charges	(3,816,051)	-	(7,757,961)	-
Present value of minimum lease payments	23,820,950	23,820,950	34,062,643	34,062,643

Notes to the Financial Statements

22. ASSETS PLEDGED

The following assets have been pledged as security for liabilities as at reporting date.

Nature of Assets	Nature of Liability	Carrying Amount Pledged		Included Under
		2014 Rs.	2013 Rs.	
Buildings on Leasehold Land	Term Loan Facility of Rs. 460 Mn Obtained from Bank of Ceylon	872,531,219	898,523,535	Property, Plant and Equipment

23. RELATED PARTY DISCLOSURES

Details of significant related party disclosures are as follows:

23.1 Transactions with the Parent and Related Entities - Company

	Subsidiary Company	
	2014 Rs.	2013 Rs.
As at 1 April	27,874,802	22,251,660
Expenses Incurred on behalf of the Company	6,865,338	5,623,142
Dividend Received	(16,500,165)	-
As at 31 March	18,239,975	27,874,802
Included in		
Trade and Other Payables	18,239,975	27,874,802

Subsidiary : La Forteresse (Private) Limited

23.2 Transactions with Key Management Personnel of the Company

The Key Management Personnel of the Company are the members of its Board of Directors.

The fortress PLC has been paid director fees for the Directors of the Parent Company amounting to Rs 3 Million (2013 - Rs.2,7 Million) and this has been included under the Administrative Expenses.

23.3 Other Related Parties Disclosures

Transactions with the parties/entities in which Key Management Personnel or their Close Family Members have control, joint control or significant influence.

Related Party		2014 Rs.	2013 Rs.
LB Finance PLC	Investment in Fixed Deposits	135,000,000	200,000,000
Vallible Finance PLC	Investment in Fixed Deposits	40,000,000	-
Pan Asia Banking Corporation PLC	Lease Rental Paid	(12,531,098)	(9,762,000)
	Lease Payables as at 31 March	24,981,743	37,779,994

No material transactions have taken place during the year with the parties/entities in which Key Management Personnel or their Close Family Members have control, joint control or significant influence, which require to disclosure in these Financial Statements other than those disclosed above.

24. EVENT OCCURRING AFTER THE REPORTING DATE

There have been no material events occurring after the reporting date that require adjustment to or disclosure in the Financial Statements.

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities, other than derivatives, comprise loans and borrowings and Trade and Other payables. The main purpose of these financial liabilities is to finance the Group's operations and to provide guarantees to support its operations. The Group has loan and other receivables, trade and other receivables, and cash and short-term deposits that arrive directly from its operations.

The Group is exposed to market risk, credit risk and liquidity risk. The Group's management oversees the management of these risks. The Group's management is supported by a financial risk committee that advises on financial risks and the appropriate financial risk governance framework for the Group. The financial risk committee provides assurance to the Group's senior management that the Group's financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with group policies and group risk appetite.

The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise four types of risk: interest rate risk, currency risk, and other price risk, such as equity price risk. Financial instruments affected by market risk include: loans and borrowings, deposits and derivative financial instruments.

The sensitivity analyses in the following sections relate to the position as at 31 March in 2014 and 2013.

The sensitivity analyses have been prepared on the basis that the amount of net debt, the ratio of fixed-to-floating interest rates of the debt and derivatives and the proportion of financial instruments in foreign currencies are all constant and on the basis of the hedge designations in place at 31 March 2014.

The analyses exclude the impact of movements in market variables on the carrying value of Retirement Benefit Obligation and provisions.

The following assumptions have been made in calculating the sensitivity analyses:

- The statement of financial position sensitivity relates to derivatives.
- The sensitivity of the relevant income statement item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at 31 March 2014 and 2013.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

The Group's Interest rate includes an fixed and variable emoluments, which is AWDR +4%

Notes to the Financial Statements

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTD.)

Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings. With all other variables held constant, the Group's profit before tax is affected through the impact on floating rate borrowings, as follows:

	Increase/decrease in basis points	Effect on profit before tax
2014		
Interest Bearing Loans and Borrowings	+/- 10%	+/- 3,530,234
2013		
Interest Bearing Loans and Borrowings	+/- 10%	+/- 4,868,690

The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment, showing a significantly higher volatility than in prior years.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities.

Foreign currency sensitivity

The following table demonstrates the sensitivity to a reasonably possible changes in the GBP and EURO exchange rates, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities) and the Group's equity. The Group's exposure to foreign currency changes for all other currencies is not material.

	Change in GBP/ EURO rate	Effect on profit before tax	Effect on equity
2014	+/- 5%	+/- 1,791,759	+/- 1,612,583
2013	+/- 5%	+/- 1,352,149	+/- 1,216,934

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Trade receivables

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of the customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored. At 31 March 2014, the Group had 16 customers (2013: 14 customers) that owed the Group more than Rs. 1 Million each and accounted for approximately 85% (2013: 71%) of all receivables owing. There were four customers (2013: four customers) with balances greater than Rs. 3 Million accounting for just over 45% (2013: 42%) of the total amounts receivable.

Financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed by the Group's treasury department in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the Group's Board of Directors on an annual basis, and may be updated throughout the year subject to approval of the Group's Finance Committee. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through potential counterparty's failure to make payments. The Group's maximum exposure to credit risk for the components of the statement of financial position is the carrying amounts as illustrated in Note 16 except for financial guarantees and derivative financial instruments. The Group's maximum exposure for financial guarantees and financial derivative instruments are noted in Note 30 and in the liquidity table below, respectively.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool.

The Group's objective is to maintain the operating cash flow to meet the working capital requirements on day to day operation and no intention to finance the working capital requirement through bank overdrafts. However acquisition of any new motor vehicles will mainly finance through finance leases after evaluating the viability of those arrangements compared to the outright purchasing. The Group's policy is that not more than 30% of borrowings should mature in the next 12-month period. 15% of the Group's debt will mature in less than one year at 31 March 2014 (2013: 15%) based on the carrying value of borrowings reflected in the financial statements. The Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. Access to sources of funding is sufficiently available since the Group's operating cash flow is very sound as per the present conditions.

Excessive risk concentration

Concentrations arise when a number of new Hotels are coming and engaged in similar business activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry. And also the prevailing economic unrest in the European region and some other Asia Pacific countries would significantly affects the hotel industry.

In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines mitigate those risk factors. The Group has now considered to improve the marketing activities specially in the USA and Middle East region to attract many more tourists from those regions. Credit risks are controlled and managed accordingly. To mitigate the risk arising from currency fluctuations the group has engaged their contracts with local operators in dollars only where the fluctuations are negligible compared to other predominant currencies.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Year ended 31 March 2014						
Interest-bearing loans and borrowings	1,876,198	12,777,780	32,222,220	-	-	46,876,198
Finance Leases (Gross)	-	2,703,000	8,666,195	12,451,755	-	23,820,950
Trade and other payables	-	68,379,207	-	-	-	68,379,207
	1,876,198	83,859,987	40,888,415	12,451,755	-	139,076,355
Year ended 31 March 2013						
Interest-bearing loans and borrowings	16,745,613	12,777,780	38,333,340	204,444,480	68,444,400	340,745,613
Finance Leases (Gross)	-	3,491,724	10,475,172	27,853,708	-	41,820,604
Trade and other payables	-	48,321,771	-	-	-	48,321,771
	16,745,613	64,591,275	48,808,512	232,298,188	68,444,400	430,887,988

Notes to the Financial Statements

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTD.)

Capital management

Capital includes only the equity attributable to the equity holders of the parent.

The primary objective of the Group's capital management is to ensure the healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. .

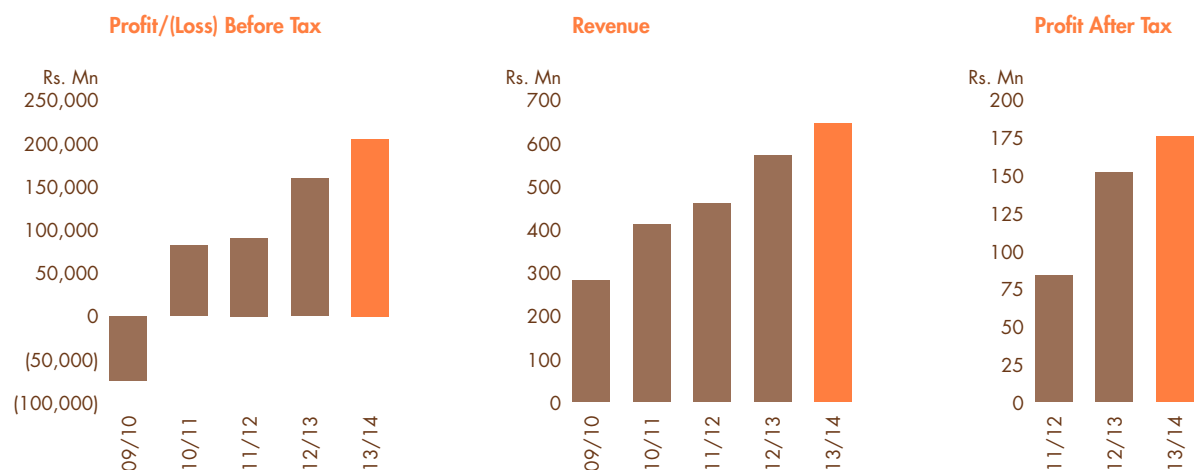
No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2014 and 2013.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's policy is to keep the gearing ratio less than 50%. The Group includes within net debt, interest bearing loans and borrowings, trade and other payables, less cash and cash equivalents, excluding discontinued operations.

	2014	2013
Interest-bearing loans and borrowings (Note 13)	59,327,953	364,566,581
Trade and other payables (Note 20)	68,379,207	48,321,771
Less: cash and short-term deposits (Note 16/17)	195,913,732	212,249,166
Net debt	(323,620,892)	(625,137,518)
Equity	1,214,760,140	1,038,082,033
Total capital	1,214,760,140	1,038,082,033
Capital and net debt	891,139,248	412,944,514
Gearing ratio	10%	28%

Five Year Summary - Group

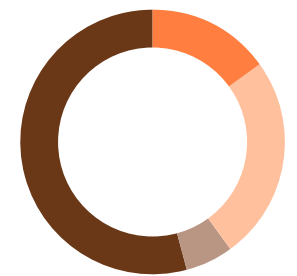
Year Ended 31st March	2009/2010	2010/2011	2011/2012	2012/2013	2013/2014
<i>(Figures in Rs. 000 unless otherwise stated)</i>					
Trading Results					
Turnover (Gross)	284,236	416,345	464,306	577,724	650,526
Profit / (Loss) from operations	118,283	248,009	242,303	321,759	350,498
Depreciation	98,972	86,950	105,493	107,601	104,898
Interest	94,826	75,027	49,521	52,445	39,244
Profit / (Loss) before Tax	(75,515)	86,032	87,289	161,735	206,995
Stated Capital & Reserves					
Stated Capital	1,108,867	1,108,867	1,108,867	1,108,867	1,108,867
Revenue Reserves	(688,407)	(308,826)	(224,420)	(70,785)	105,893
Other Reserves	124,373	124,373	-	-	-
Shareholders' Funds / Net Assets	544,833	800,041	884,447	1,038,082	1,214,760
Long Term Loans / Deferred Liabilities	651,453	510,000	397,513	324,000	45,000
Capital Employed	1,196,286	1,310,041	1,281,960	1,362,082	1,259,760
Assets Employed					
Current Assets	71,580	86,246	148,543	304,569	287,758
Current Liabilities	70,501	60,781	120,826	126,420	137,295
Working Capital	1,079	25,465	27,717	178,149	150,463
Fixed Assets	1,197,832	1,289,585	1,241,359	1,186,146	1,109,437
Capital Employed	1,198,911	1,315,050	1,269,076	1,364,295	1,259,900
Ratio & Statistics					
Gearing	54%	39%	31%	24%	3.57%
Current Ratio	1.02	1.42	1.23	2.41	2.10
Earnings Per Share (Rs.)	(0.68)	0.76	0.76	1.39	1.60
Net Assets Per Share (Rs.)	4.91	7.21	7.98	9.36	10.95
Return On Capital Employed (ROCE)	(6)%	7%	7%	12%	16%
Return On Equity	(14)%	11%	10%	16%	17%
Debt to Total Assets	51%	37%	29%	22%	3%
Interest Cover (times)	-	2.15	2.76	4.08	6.27
Earnings Before Interest & Tax (EBIT)	19,311	161,059	136,810	214,158	246,239
Asset Turnover	26%	36%	40%	52%	61%



Group Value Added Statement

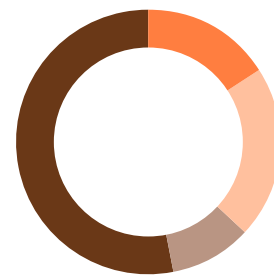
	Group		Company	
	2014 Rs. '000	2013 Rs. '000	2014 Rs. '000	2013 Rs. '000
Turnover Gross	771,706	673,973	-	-
Other Income Gross	102,074	46,711	16,500	-
Less : Cost of Material and Service bought in	(331,375)	(221,131)	(5,428)	(5,639)
	542,405	499,553	11,072	(5,639)
Value Allocated to Employees				
Salaries, Wages & other benefits	84,264	80,822	-	-
To Government				
VAT, TDL, NBT & Income Tax	137,027	102,920	1,500	-
To providers of Capital				
Loan Interest	39,244	51,907	-	-
To Expansion & Growth				
Depreciation & Retained in business	281,870	263,904	9,572	(5,639)
	542,405	499,553	11,072	(5,639)

Value Addition 2014



Employees	16%
Government	25%
Providers of Capital	07%
Expansion & growth	52%

Value Addition 2013



Employees	16%
Government	21%
Providers of Capital	10%
Expansion & growth	53%

Shareholder Information

20 Major Shareholders of the Company

	31st March 2014		31st March 2013	
	No. of Shares	(%)	No. of Shares	(%)
01. M J F Holdings Ltd	28,616,411	25.807	28,616,411	25.807
02. Vallibel Leisure (Private) Limited	24,417,932	22.021	24,417,932	22.021
03. Vallibel One PLC	13,676,350	12.334	13,676,350	12.334
04. Mr. K. D. D. Perera	10,329,317	9.315	10,329,317	9.315
05. Vallibel Power Erathna PLC	5,933,400	5.351	5,933,400	5.351
06. L B Finance PLC	4,051,100	3.653	4,051,100	3.653
07. Mr. Merrill J. Fernando	2,124,400	1.916	2,124,400	1.916
08. Bank of Ceylon No. 1 Account	1,461,100	1.318	1,461,100	1.318
09. Seylan Bank PLC/Jayantha Dewage	1,441,400	1.300	1,441,400	1.300
10. Mrs. N. U. D. Ariyaratna	1,404,500	1.267	1,414,500	1.276
11. Almar International (Pvt) Ltd	1,249,600	1.127	1,249,600	1.127
12. Mr. D. C. Fernando	833,333	0.752	833,333	0.752
13. Mr. Malik J. Fernando	833,333	0.752	833,333	0.752
14. Freudenberg Shipping Agencies Limited	830,019	0.749	830,019	0.749
15. Polychrome Inks Limited	566,666	0.511	566,666	0.511
16. Seylan Bank PLC/Bertram Manson Amarasekara	550,000	0.496	550,000	0.496
17. Dee Investments (Pvt) Ltd	394,375	0.356	228,000	0.206
18. Royal Ceramics Lanka PLC	336,100	0.303	336,100	0.303
19. Mr. R. Manoharan	291,000	0.262	291,000	0.262
20. Mr. A. P. L. Fernando	285,876	0.258	132,452	0.119
	99,626,212	89.845	99,316,413	89.566
Others	11,260,472	10.155	11,570,271	10.434
Total	110,886,684	100.00	110,886,684	100.00

Share Distribution

Shareholding as at 31st March 2014

From	To	No. of Holders	No. of Shares	%
1	1,000	1,410	572,727	0.52
1,001	10,000	778	2,982,735	2.69
10,001	100,000	180	5,036,978	4.54
100,001	1,000,000	23	7,588,734	6.84
Over 1,000,000		11	94,705,510	85.41
		2,402	110,886,684	100.00

Categories of Shareholders

	No. of Holders	No. of Shares	%
Local Individuals	2,259	24,665,511	22.24
Local Institutions	124	86,014,195	77.57
Foreign Individuals	19	206,978	0.19
Foreign Institutions	0	0	0.00
	2,402	110,886,684	100.00

Shareholder Information

Directors' & CEO's Shareholding as at 31st March 2014

	No. of Shares	%
Mr. K. D. D. Perera	10,329,317	9.315
Mr. J. A. S. S. Adhihetty	13,741	0.012
Mr. Malik J. Fernando	833,333	0.752
Mr. Merrill J. Fernando	2,124,400	1.916
Mr. C. J. Wickramasinghe	19,291	0.017
Mr. S. Senaratne	1,000	0.001
Mr. L. T. Samarawickrama	1,550	0.001
Mr. L. N. De Silva Wijeyeratne	Nil	-
Mr. D. E. Silva	500	0.000
Mr. P. B. Perera	500	0.000
Mr. Jan P. van Twest	Nil	-
Mr. C. V. Cabraal	Nil	-
Mr. H. Somasantha (Alternate Director to Mr. L. T. Samarawickrama)	Nil	-
Mr. W. D. N. H. Perera (Alternate Director to Mr. P. B. Perera)	89	0.000

Share Prices for the Year

	As at 31/03/2014	As at 31/03/2013
Market price per share		
Highest during the year	Rs.17.90	Rs.22.10
Lowest during the year	Rs.12.70	Rs.10.50
As at end of the year	Rs.13.30	Rs.15.00

Public Holding

The Public Holding percentage – 18.516 %

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Thirtieth (30th) Annual General Meeting of the Company will be held at the Auditorium of the L B Finance PLC, Corporate Office, No.20, Dharmapala Mawatha, Colombo 3, on 27th June 2014 at 3.30 p.m.. for the following purposes:

1. To receive and consider the Annual Report of the Board of Directors on the affairs of the Company and its subsidiary and the Statement of Accounts for the year ended 31st March 2014 with the Report of the Auditors thereon.

2. To pass the ordinary resolution set out below to re-appoint Mr. Merrill J. Fernando, who is 84 years of age, as a Director of the Company.

"IT IS HEREBY RESOLVED that Mr. Merrill J. Fernando who has attained the age of 84 years be and is hereby re-elected a Director of the Company and it is hereby declared that the age limit of 70 years stipulated in Section 210 of the Companies Act, No.7 of 2007 shall not apply to the said Director."

3. To re-elect Mr. Lalit N. De S. Wijeyeratne who retires by rotation pursuant to the provisions of Article 84 of the Articles of Association of the Company, as a Director.

4. To re-elect Mr. S. Senaratne who retires by rotation pursuant to the provisions of Article 84 of the Articles of Association of the Company, as a Director.

5. To re-elect Mr. Jan Peter van Twest who retires pursuant to the provisions of Article 91 of the Articles of Association of the Company, as a Director

6. To re-elect Mr. Chatura Vishvajit Cabraal who retires pursuant to the provisions of Article 91 of the Articles of Association of the Company, as a Director.

7. To re-appoint Messrs Ernst & Young, Chartered Accountants, as the Auditors of the Company and to authorise the Directors to fix their remuneration.

8. To authorise the Directors to determine donations for the year ending 31st March 2015 and up to the date of the next Annual General Meeting.

By order of the Board
The Fortress Resorts PLC



P W Corporate Secretarial (Pvt) Ltd
Director/Secretaries

At Colombo
27th May 2014

Notes

1. A Shareholder entitled to attend and vote at the meeting is entitled to appoint a proxy to attend, speak and vote on behalf of him/her.

2. A proxy need not be a Shareholder of the Company.

3. The Form of Proxy is enclosed for this purpose.

4. The completed Form of Proxy must be deposited at the Office of the Secretaries, No.3/17, Kynsey Road, Colombo 8, by 3.30 p.m. on 25th June 2014

Notes

Form of Proxy

I/We (NIC No.)
of being *a Shareholder/Shareholders of
THE FORTRESS RESORTS PLC, hereby appoint
(NIC No.) of
or failing him

Mr. K. D. D. Perera	or failing him*
Mr. J. A. S. S. Adhihetty	or failing him*
Mr. C. J. Wickramasinghe	or failing him*
Mr. Malik J. Fernando	or failing him*
Mr. Merrill J. Fernando	or failing him*
Mr. S. Senaratne	or failing him*
Mr. L. T. Samarawickrama	or failing him*
Mr. L. N. De Silva Wijeyeratne	or failing him*
Mr. Denesh E. Silva	or failing him*
Mr. P. B. Perera	or failing him*
Mr. Jan P. van Twest	or failing him*
Mr. Chatura V. Cabraal	

as *my/our proxy to represent and speak and vote for me/us* and on my/our* behalf at the Annual General Meeting of the Company to be held on 27th June 2014 and any adjournment thereof and at every poll which may be taken in consequence thereof.

I/We.* the undersigned, hereby authorise my/our* proxy to speak and vote for me/us* and on my/our* behalf in accordance with the preference as indicated below;

	For	Against
1. To receive and consider the Report of the Directors, the Statement of Accounts for the year ended 31st March 2014 with the Report of the Auditors thereon.		
2. To re-appoint Mr. Merrill J. Fernando who is 84 years of age, as a Director of the Company pursuant to the provisions of the Companies Act No.7 of 2007.		
3. To re-elect Mr. Lalit N. De S. Wijeyeratne, who retires in terms of Article 84 of the Articles of Association as a Director of the Company		
4. To re-elect Mr. S. Senaratne, who retires in terms of Article 84 of the Articles of Association as a Director of the Company		
5. To re-elect Mr. Jan P. van Twest, who retires in terms of Article 91 of the Articles of Association as a Director of the Company		
6. To re-elect Mr. Chatura V. Cabraal, who retires in terms of Article 91 of the Articles of Association as a Director of the Company		
7. To re-appoint Messrs Ernst & Young as Auditors and to authorise the Directors to determine their remuneration		
8. To authorise the Directors to determine donations for the year ending 31st March 2015 and up to the date of the next Annual General Meeting.		

In witness my/our* hands thisday ofTwo Thousand and Fourteen

.....
Signature of Shareholder/s
*Please delete as appropriate

Notes

1. A proxy need not be a shareholder of the Company
2. Instructions as to completion are noted on the reverse hereof

Instructions as to Completion

1. Kindly perfect the form of proxy by filling in legibly your full name address, by signing in the space provided. Please fill the date of signature.
2. The completed Form of Proxy should be deposited at the Office of the Secretaries, P W Corporate Secretarial (Pvt) Ltd, No.3/17, Kynsey Road, Colombo 08, Sri Lanka by 3.30 p.m. on 25th June 2014
3. If you wish to appoint a person other than the Chairman or a Director of the Company as your proxy please insert the relevant details in the space provided (above the names of the Board of Directors) on the Proxy Form.
4. If the Form of Proxy is signed by an Attorney, the relative Power of Attorney should accompany the Form of Proxy for registration if such Power of Attorney has not already been registered with the Company.
5. If the appointer is a company / incorporated body this Form must be executed in accordance with the Articles of Association / Statute.

Corporate Information

Name of Company

The Fortress Resorts PLC

Company Registration No

PQ 207

Legal Form

Public Quoted Company with Limited Liability, Quoted on the Secondary Board of the Colombo Stock Exchange.

Registered Office

Level 27, East Tower
World Trade Center
Echelon Square
Colombo 01.

Board of Directors

Mr. K. D. D. Perera (Chairman)
Mr. J. A. S. S. Adhihetty (Managing Director)
Mr. C. J. Wickramasinghe
Mr. Malik J. Fernando
Mr. Merrill J. Fernando
Mr. S. Senaratne
Mr. L. T. Samarawickrama
Mr. W. D. N. H. Perera
Mr. L. N. De Silva Wijeyeratne
Mr. D. E. Silva
Mr. P. B. Perera
Mr. H. Somashantha
Mr. Jan P. Van Twest
Mr. Chatura V. Cabraal

Subsidiary Company

La Forteresse (Private) Limited

Hotel

The Fortress Resorts & Spa
Koggala
Telephone : 091 4389400
Fax : 091 4389458
Email: info@thefortress.lk

Secretaries

P W Corporate Secretarial (Pvt) Ltd.
No. 3 / 17, Kynsey Road,
Colombo 08.
Telephone: 011 4640360-3
Fax: 011 4740588
Email: pwcs@pwcs.lk

External Auditors

Ernst & Young
Chartered Accountants
201, De Seram Place,
Colombo 10.

Internal Auditors

BDO Partners
Chartered Accountants
"Charter House"
65/2, Sir Chittampalam A Gardiner Mawatha,
Colombo 02.

Bankers

Bank of Ceylon
Hatton National Bank PLC
Sampath Bank PLC
Pan Asia Banking Corporation PLC



THE FORTRESS RESORT & SPA
SRI LANKA

