

# Elegance Entwined with Excellence







Elegance entwined  
with Excellence





We focus on finesse, on our diligence and prowess to provide and facilitate an excellent, exuberant and enchanting service. Our rise to the apex of the hospitality trade has been due to the powerful brand value we have built through the years, the sheer elegance and magnitude of the globally vouched quality we profess and provide.

The year under review was a phenomenal year for us, showcasing stellar growth and bountiful financial solidarity. Therefore we are certain that we will continue to grow and evolve into a truly monumental entity in our industry, forever remembered for our breathtaking contribution in the sector for endeavoring to facilitate our esteemed clientele with an excellent and immaculate service.

Our experience and efficient disposition to excel in the hospitality sector is driven by our steadfast workforce, the internationally reputed services we offer and the unmistakable focus on attracting more revenue and achieving greater profitability.

Time will prove our worth. Our reputation and forte will only be accentuated.

Fortress is not merely a lucrative investment. It is an entity of elegance entwined with excellence.





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# Awards and Recognition



## 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

The 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.



- 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



#### 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!



#### 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.

# Fortress at a Glance







Offering guests unparalleled comfort and opulence encompassed in a classically designed property along with a team of professionals set on delivering the highest levels of service. We invite you to unfold memorable experiences with us.

There are 53 rooms in this regal edifice and most of them of them faces the sea. That's just one of the many delights you'll discover with us.

Elegance and charm in the design and ambience, modern amenities, luxurious comfort and impeccable service, all make a stay with us a classical, yet contemporary experience.

**11 Fortress Rooms**

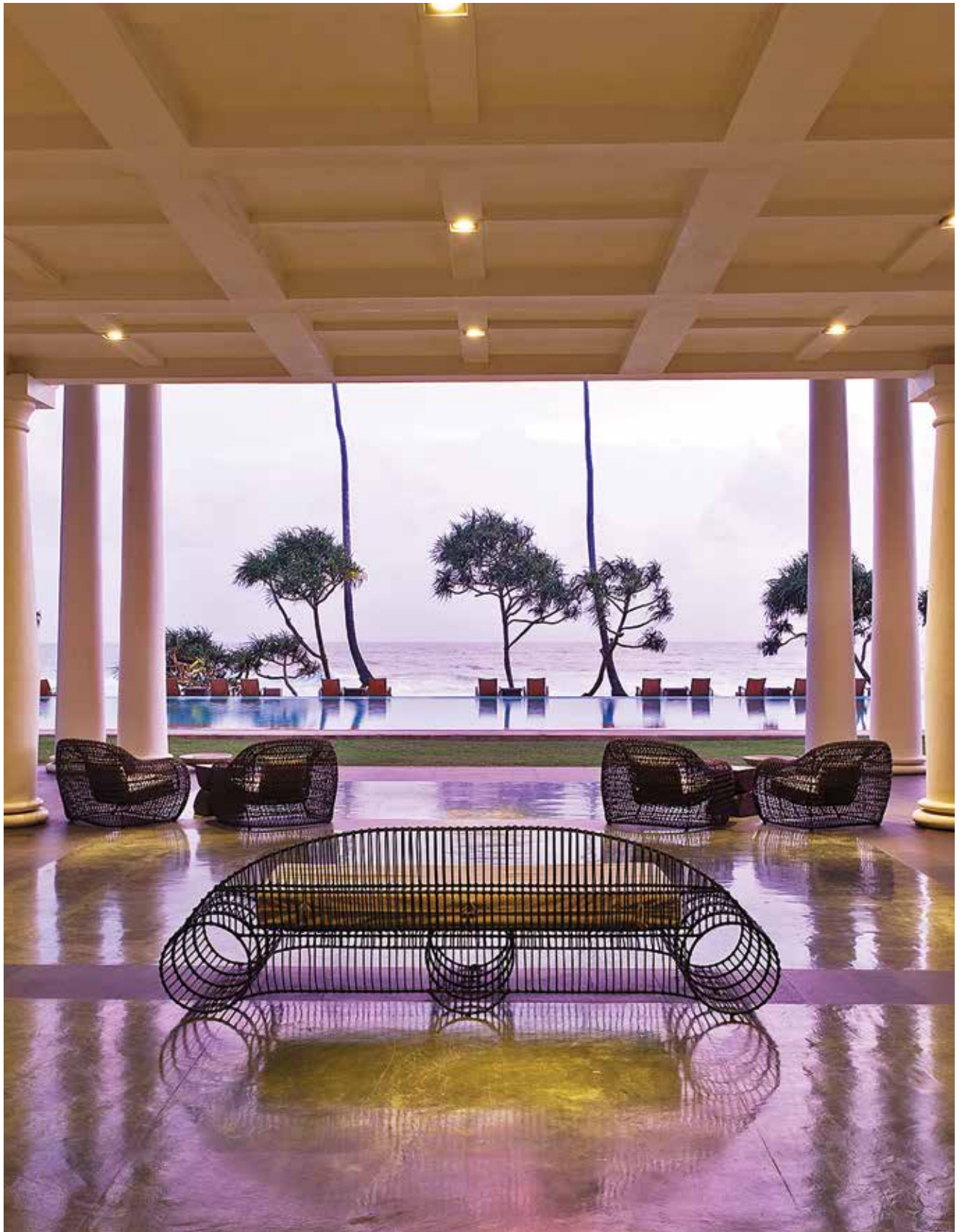
**22 Ocean Rooms**

**12 Beach Rooms**

**04 Beach Flash Rooms**

**02 Loft Rooms**

**02 Fortress Residences**

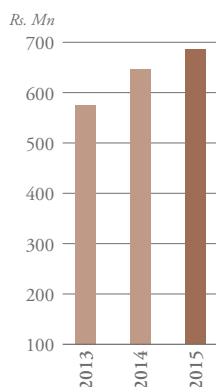




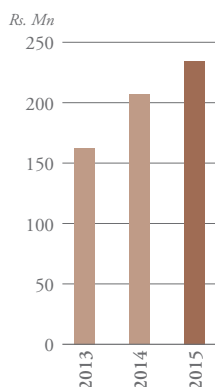
# Financial Highlights

Year Ended 31st March		2015	2014	2013
<b>Earnings Highlights and Ratios</b>				
Revenue	Rs.'000	686,977	650,526	577,724
Earnings before interest and tax (EBIT)	Rs.'000	236,856	246,240	214,158
Group profit before tax (PBT)	Rs.'000	234,060	206,995	161,735
Group profit after tax (PAT)	Rs.'000	189,407	176,678	153,634
Group profit attributable to the Shareholders	Rs.'000	189,407	176,678	153,634
Earnings per share (EPS)	Rs.	1.71	1.6	1.39
EPS Growth	%	7	15	82
Interest cover	No of times	85	6	4
Return on Equity	%	13	15	14
Pre - tax ROCE	%	16	15	11
<b>Balance Sheet highlights and ratios</b>				
Total assets	Rs.'000	1,534,317	1,397,195	1,490,715
Total debt	Rs.'000	16,110	70,697	374,808
Total Shareholder's Funds	Rs.'000	1,404,167	1,214,760	1,038,082
No. of shares in issue	Number	110,886,684	110,886,684	110,886,684
Net assets per share	Rs.	12.66	10.95	9.36
Debt/Equity	%	1.15	6	36
Debt/Total assets	%	1	5	25
<b>Market / Shareholder information</b>				
Market price of share as at 31 st March	Rs.	15.20	13.30	15.00
Market capitalisation	Rs.'000	1,685,478	1,474,793	1,663,300
Price earnings ratio	No of times	8.90	8.35	10.83
<b>Operational information</b>				
Average occupancy	%	71	72	70
Number of room nights sold	Room nights	13,705	13,974	13,459
Room revenue	Rs.'000	441,183	409,210	357,826
Average room rate (ARR)	Rs.	32,191	29,284	26,586
Revenue per occupied room	Rs.	50,126	48,525	45,808
Net profit per room	Rs.'000	3,574	3,334	2,899

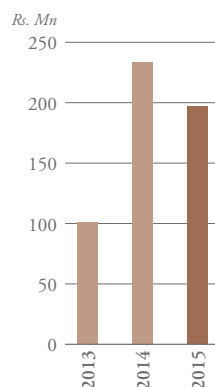
**Revenue**



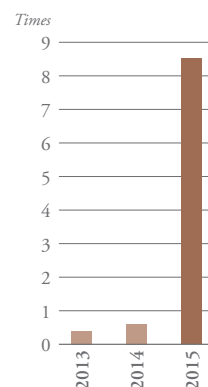
**Group PBT**



**Group EBIT**



**Interest Cover**



# Chairman Review



*“Global Economic Growth in 2015 is believed to stand at 3% and average about 3.3% through 2017. Soft commodity prices, persistently low interest rates, weak world trade and the sharp decline in oil prices since mid-2014 will support global activity and hopefully offset some of the headwinds.”*



In most cases, elegance is a cultivated phenomenon that needs to be studied, honed and perfected. To us at The Fortress Resorts & Spa, elegance comes naturally. It is a feature that lies at our core, a feature that we believe is the heart and soul synonymous with our brand and property. But elegance alone is insufficient for us because to us, continually raising the bar to be the best among the best is an unwavering quest. Hence, excellence is unequivocally intertwined into our ethos and it is this ethos that remains our overarching tenet as we continue to etch new heights into the already exciting chapters we have penned within the tourism industry of Sri Lanka.

Therefore, it gives me a great pleasure to place before you, valued Shareholders, The Fortress Resorts PLC Annual Report and Statement of Account for the year ended 31st March 2015. I take pride in highlighting that this year was momentous for us, as we showcased the best growth across the Group, facilitated by favorable global tourism factors. Your company consolidated its unique and excellent brand advantage through the year, improving significantly on last year's robust performance. Observing the transforming paradigms in global lifestyles, there has emerged an increasingly important trend of guests desiring unique travel experiences that reflect the local flavor of their destination. The Fortress Resorts & Spa is eminently poised to cater to this discerning coterie of tourists as is demonstrated by our convincing financial results during this period.

Looking back at the global economy, it is apparent that no silver lining emerged over the year, despite great expectations. It continues to struggle to gain momentum given that many high-income countries grapple with legacies of the global financial crisis. Add the fact that emerging economies are less dynamic than in the past and the disappointing out-turns of the past several years only seem to be exacerbating. There was just marginal growth from 2.5% to 2.6% and not much else expected in the next two years at least although, there seem to be several major forces driving the global outlook.

Growth in 2015 is believed to stand at 3% and average about 3.3% through 2017. Soft commodity prices, persistently low interest rates, weak world trade and the sharp decline in oil prices since mid-2014 will support global activity and hopefully offset some of the headwinds. However while the latter will grant some relief to oil-importing developing countries, it will undoubtedly dampen growth prospects for oil-exporting countries, which would permeate significant regional repercussions.

There was some activity in the US and UK as labour markets began an upward swing and monetary policy was accommodative. The Euro Area however, one of Sri Lanka's primary tourism countries, continued to struggle. The legacies of the financial crisis intertwined with structural bottlenecks dogged Japan, while China began undergoing a carefully managed slowdown. Developing countries were disappointing reflecting weak external demand, domestic policy tightening, political uncertainties and supply-side constraints. It is forecast that high-income countries will likely see 2.2% growth from 2015 to 2017, which is an improvement from 1.8% in 2014 due to gradually recovering labor markets, ebbing fiscal consolidation, and low financing costs.

The World Bank touts South Asia as the fastest growing region in the world, which seems an astute judgment given that the region posted 5.5% growth in 2014, rising from a ten year low of 4.9% in 2013. The upturn was driven by India in strong expansion mode and coupled with favourable oil prices, the twice a year South Asia Economic Focus Report states regional growth will steadily increase from 7% in 2015 to 7.6% by 2017. India's reforms easing supply constraints, political tensions subsiding in Pakistan, Bangladesh and Nepal posting robust remittances and demand for the region's exports will surely be the panacea in driving this much expected growth, as is maintaining strong consumption and increasing investment.

The region is among the greatest global beneficiaries from cheap oil, as all its countries are net oil importers. Past adjustments have reduced vulnerability to financial market volatility. Risks are mainly domestic and of a political nature. Sustaining the pace of reform and maintaining political stability are key to maintaining the recent growth momentum. South Asia went from having the highest inflation rate among developing regions to posting the lowest in barely one year. In March 2013, the Consumer Price Index (CPI) of the region increased by 7.3% YoY, compared to 1.4% in March 2015.

Sri Lanka's consistent growth is truly one which underscores the positives gained through astute fiscal policy, visionary planning and entrepreneurial dynamism. While it didn't perform as well as expected, nevertheless the country remained on a strong footing, having girded itself to weather any storms that may emerge. While Sri Lanka failed to achieve the GDP forecast of 7.8%, it nevertheless remained well positioned in comparison to the region. Ending the year at a GDP growth of 7.4%, better than last year's 7.2%, the

# Chairman Review contd.

CBSL Department of Census and Statistics declares that the lower growth rate was primarily due to the comparatively slow growth of 6.4% recorded in the last quarter of the year. GDP this year therefore expanded to Rs. 9,740,853 Mn compared to last year's Rs. 8,674,230 Mn. The World Bank said growth in Sri Lanka is expected to decline to 6.9% in 2015 due to slowing construction activity, partially set off by consumption growth observed due to increased public sector wages and higher disposable income.

There are however some significant factors that do play on the country's performance in the next few years. The change of government has renewed expectations of better law and order, reduction of corruption and more efficient utilisation of resources. According to analysts, the economy has progressed close to an upper middle income category and the main issues facing the country have also transformed. Political uncertainties will create short term volatilities in the economy, but the improved fundamentals will assist to drive the economy at a similar pace of the last five years. While the Colombo Stock Exchange has seen lacklustre price movement, there could be a sentiment of stronger investment opportunities in the market, with better valuations.

The fact however that Sri Lanka is performing considerably well in global indices including the Global Prosperity Index, Ease of Doing Business Index and the Global Competitiveness Index augur well. Sri Lanka is the highest ranked in South Asia in most of the global indices. Fitch Ratings has affirmed Sri Lanka's long term foreign and local currency issuer default rating at BB-, reflecting the international investor community's confidence in the economy. It is stated that among the factors positively influencing Fitch's country rating for Sri Lanka was the orderly transition of political power following recent elections, favourable GDP growth, projected improvements to the balance of payments and a positive outlook for the country's external borrowing strategies. Fitch has also projected that Sri Lanka would succeed in rebuilding international reserves to US \$10 Bn by the end of 2015 through a combination of renewed borrowing on international capital markets and foreign currency swaps with Indian and Chinese Central Banks.

Sri Lanka is focusing on long-term strategic and structural development challenges as it strives to transition to an upper middle-income country. This therefore brings forth a slew of diverse challenges including boosting investment and development of human capital, realigning public spending and policy with the needs

of a middle-income country and enhancing the role of the private sector. What is also much needed is the provision of an appropriate environment for increasing productivity and exports and ensuring that growth is inclusive.

Seeking to achieve US \$4,000 in GDP per capita by 2016, from the current \$3,280, Sri Lanka faces three particular macroeconomic challenges. While sustaining the ambitious growth rate, Sri Lanka will also have to foster private sector development and greater private investment, increase exports to generate jobs and managing the current account deficit and further address fiscal imbalances and reverse the declining trend in revenue collection. Such growth would need to be driven by a high investment rate of above 40% of GDP, a difficult task given that the country's current level of investment falls way short of that.

Sri Lanka's growth and competitiveness are constrained by a skills gap that has emerged due to transformations observed in labor market conditions. Sri Lanka's economy is no longer dominated by the agriculture sector but rather by services, followed by industry and manufacturing. Employment patterns have followed, shifting significantly from agriculture to industry and services. Labor productivity levels must be pushed up with the mismatch between graduates and private sector needing particular attention. Fostering a workforce that's employable is a priority to improve the quality of human capital through effective education and skills development.

While you will find an in-depth study of the global and tourism trends and performance elsewhere in this report, in a nut shell, there were over 1.1 billion tourists travelling around the world in a single year, which by any standards is quite phenomenal. According to the UNWTO World Tourism Barometer, international numbers grew 5% with the volume of overnight visitors reaching 978 million from January to October 2014.

The strongest growth was seen in an 8% increase in the Americas, with the Asia Pacific region posting a 5% growth and Europe 4%. North America heralded a growth of 9%, with South Asia a close second, notching 8% growth for sub-region growth trends. Southern and Mediterranean Europe, North-East Asia and Northern Europe all went up to over 7%. The UNWTO notes particularly that the growth seen in most regions is due to growing political commitment to the tourism sector, urging much more to be done given that it is an inclusive industry that permeates sustainability across all



**“Looking at the brand that we have conceptualised, created, nurtured and strengthened, Fortress Resorts & Spa is undoubtedly a beacon for the best. Our philosophy of intertwining elegance with excellence has paved the way for a unique brand of tourism that retains high emphasis on best practices, quality and standards.”**

demographics, being a cohesive employment generator, bridging the gap in job creation which is currently a priority for all countries.

Sri Lanka achieved its ambitious target of over 1.5 million tourists for 2014 with ease and according to the Sri Lanka Tourism Development Authority, the total number of arrivals saw a 19.8% increase from 2013. Most arrivals were from Western Europe, which recorded a 13.8% increase, numbering over 479,000, while arrivals from North America stood at 72,653 by 10.7%. The best markets have been from East Asia which saw an impressive increase of 53.2%, primarily driven by China at a phenomenal 136.1% to reach 128,166 tourists this year and the East Asian numbers posted at 280,511.

Eastern Europe too showed upward movement climbing up 22.6%, as did the Middle East with 10.5% growth in numbers. India, the mainstay tourist driver in South Asia, increased by 16.3%, pushing arrival numbers from South Asia up by 13.4%. Sri Lanka has also had renewed interest from Australia, which showed a 6.8% growth in 2014. Sri Lanka's earnings for the year amounted to US 41.775 Bn in the first ten months of 2014.

Sri Lanka Tourism did the country proud by winning 4th position among 83 countries at ITB Berlin, the world's biggest travel and tourism convention. Competing against 11,000 exhibition booths, Sri Lanka's USP was the support received from state agencies including the Sri Lanka Tea Board and an enduring partnership with Sri Lankan Airlines which added weight to Brand Sri Lanka.

Sri Lanka was classified into the most competitive geographical area of Asia/Australia/Oceania given that most western tourists travel world hot spots in Asia. Asia attracts the highest and the best quality tourists, as most markets are just opening up. There's even a sentiment that the global advertising spend on tourism is dominated by Asian countries, including India and Malaysia. This definitely adds lustre to Sri Lanka's fourth place win, as a laurel that requires celebration.

And looking at the brand that we have conceptualised, created, nurtured and strengthened, Fortress Resorts & Spa is undoubtedly a beacon for the best. Our philosophy of intertwining elegance with excellence has paved the way for a unique brand of tourism that retains high emphasis on best practices, quality and standards. This strong brand is further augmented with our highly acclaimed image in the industry, one that espouses corporate captaincy and stewardship at the highest levels, a natural permeation from the solid reputation we possess given the strong financial stability and unrelenting focus on ethics and values. Our customer profile evidences these strengths, with a high turnover of repeat customers who keep returning to our property, not only to enjoy the unique beauty of our property but to also experience the absolute commitment to service excellence displayed by our unmatched team.

It is these strengths that we intend to exploit in the opportunities we see emerging. A resilient global economy and a robust Sri Lankan economy with conducive macro economic factors forms the background in which we intend to gain a stronger foothold. We do believe that favourable government initiatives and visionary policy to promote tourism will form the trusses for the growth drive we anticipate. We also see a host of emerging markets that have immense potential in our industry which we intend to tap for future prospects. We remain cognizant of the challenges around us too including competition we see emerging regionally, as well as locally. This naturally cascades pressure on staff retention and cost of resources, both of which we remain well aware of and are instituting astute learning and development initiatives as well as prudent cost management measures for optimum results.

When it comes to our quantitative performance, we have excelled. This year has been the best ever year from a numbers perspective with solid growth in income and consistent growth paradigms in most key performance indicators cementing our status as one of the most attractive properties in the industry.

# Chairman Review contd.

Maintaining a healthy average occupancy of 71% throughout the year, Fortress Resorts & Spa sold a total of 13,705 room nights to post a total revenue of Rs. 716 Mn (including other income), net profit of Rs. 189 Mn and a ROI of 12%. Earnings Per Share rose to Rs. 1.71 which is 7% increase compared to last year, while total assets also increased to Rs. 1534 Mn, Rs. 137 Mn up from 2013/14. Further details of our financial performance are found in the CEO's Review of Operations and Statement of Account in this Report.

It has also been an year where we have continued to collate a host of prestigious accolades, primarily attributed to capitalizing on our strengths of a unique property, service excellence, unmatched product offerings and astute marketing and promotional initiatives across the globe. This year, we were awarded the Booking.com Award of Excellence, Trip Advisor Travellers' Choice Awards for Top Hotels in Sri Lanka, Top Hotels for Romance in Sri Lanka and Top Hotels for Exceptional Service in Sri Lanka, as well as the Country Winner for Best Luxury Resort Spa at the World Luxury Spa Awards 2014. Our emphasis on complying with germane industry standards was further entrenched when Fortress Resorts & Spa gained Crowns for Food Hygiene from 2013.

The journey ahead for us will undoubtedly be an exciting one. It is also one that will be challenging with competition intensifying due to new properties emerging in this region, including some of the largest global chains. However, with challenges always emerge opportunities and Fortress will continue to entrench our brand and property as one of the most luxurious resorts in this part of the world and continue raising the bar for improvement and development.

We also intend restructuring our revenue model, with one such being all-inclusive packages, which have proven to be popular among our UK clientele. Trends point towards occupancy levels not seeing much increase in the future and hence it is establishing innovative revenue streams that will drive our profitability upwards. We do believe the all-inclusive package almost doubles our F&B revenue per room night. We have also begun focusing on improving spa revenue, having already implemented some innovative features which have received very positive feedback.

Being conscious of our role as a corporate steward, we remain well aligned with all compliance rudiments pertaining to the industry and corporate milieu. Registered with the Ceylon Tourist Board and being a Member of the Ceylon Chamber Commerce and the

**“However, with challenges always emerge opportunities and Fortress will continue to entrench our brand and property as one of the most luxurious resorts in this part of the world and continue raising the bar for improvement and development.”**

Hoteliers of the South (HOST), our corporate governance measures to remain well on par with expected norms.

That corporate stewardship responsibility also extends to Fortress Resorts & Spa being actively involved in developing and improving industry standards. This has spurred us to train and develop young people who are interested in joining the industry and also in augmenting the skills prevalent within the industry. Hotel school students and university undergraduates specialising in tourism and hotel management undergo hands-on practical training with us as part of an extensive curriculum. We have also added a total of fifteen NAB apprentice students who follow a training programme of one to three years. It is pertinent to mention that we contributed Rs. 7.1 Mn as the Tourism Development Levy to the Ceylon Tourist Board, which is higher than last year's Rs. 6.8 Mn.

I'm most appreciative of the guidance and advice extended to me by the Board of Directors, who have continued to be a tower of strength in directing the Company to heights of great achievement.

The performance of your Hotel is dependent on business acumen and strategy implementation. On this score, the management headed by the dynamic Managing Director Sumith Adhihetty and Director/General Manager Jan van Twest deserve immense commendation for their unwavering commitment, dedication and hard work. These traits have permeated across the entire Fortress Team, who have proven beyond doubt that they are a winning team.

I also wish to record my appreciation to our customers for the confidence they continue to place in us and for constantly pushing the barometer upwards, ensuring that we set benchmarks within the industry. To our Shareholders, my most sincere thanks for being committed to our endeavours and being supportive of our forward journey.



By 2016, Sri Lanka will be hosting 2.5 million tourists, anticipating revenue of US \$3.6 Bn and positing an employment generation of over 500,000. Opinions, expectations and aspirations of much traveled and discerning travelers from diverse geographies and demographics will form the bedrock of the offerings within the industry. Their demanding yet survey views will be the map upon which we will have to formulate the our medium and long term plans. It is these tourists who will demand that our products and services meet with their aspirations and we at Fortress believe, we are prepared to exceed those aspirations.



**Dhammika Perera**  
*Chairman*

18 May 2015  
Colombo

# CEO's Review of Operations



*“We are surely a property that indulges in elegance entwined with excellence and to us, at Fortress Resort & Spa, this has given us an impressive competitive edge to continue doing well. As I present my Review of Operations for the year 2014/15, you will undoubtedly see that we have continued to build on our strengths.”*

Achieving the heights of excellence is not an easy task. The bar of excellence is one that continues to be heightened and it is therefore a benchmark that is set by trailblazers for others to emulate. The Fortress Resort & Spa has been at the forefront of a unique brand of hospitality, one in which our elegant property itself lends to extraordinary experiences in an island that is renowned as paradise, supported by our amazing product and service offerings that have set the mark in standards. We know we have created an indelible impression among our guests, each enjoying the unparalleled elegance we imbue into this special brand of excellence we espouse. That impression has inculcated their unwavering loyalty to us, well evidenced by a repeat clientele, making us a preferred holiday destination.

We are surely a property that indulges in elegance entwined with excellence and to us, at Fortress Resort & Spa, this has given us an impressive competitive edge to continue doing well. As I present my Review of Operations for the year 2014/15, you will undoubtedly see that we have continued to build on our strengths, maximised on the opportunities and constructed a property that surely remains a benchmarked leader in the hospitality industry of Sri Lanka.

### **An Exciting Industry**

This year has seen the hospitality industry enjoying some of the best volumes seen in the last four decades, a trend that has cascaded throughout the country and certainly augurs well for the medium to long term vision for tourism in Sri Lanka. Continuing past trends, tourist arrivals from all regions showed robust results during the 2014/2015 financial year, attributed primarily to the peace and stability permeating the country, new and refurbished properties with superior infrastructure, innovative products and services, added tourist attractions and a more pervasive marketing campaign being rolled out for the destination. Thus, tourist arrivals recorded in excess of 1.5 million surpassing the 2013/2014 figure of 1.3 million, a significant growth of 17% in the current financial year.

Deciphered from details obtained by the Sri Lanka Tourism Development Authority, the 19.8% growth experienced YoY, saw the total number of tourists arrivals in 2014 of 1,527,153 tourists encompassing visitors from India, UK and China making up the primary arrival segment. December gained the highest number of guests at 178,672, recording the fifth lowest monthly growth number of 16.1% YoY. The Chinese market is burgeoning, contributing significantly in realigning travel paradigms in the

peak and off-peak seasons, while decreasing demand from Western markets has also weighed in to conventional trends.

In December 2014, arrivals from Western Europe led the way with 55,877 visitors showcasing an incline of 13.9% YoY, while South Asia reached 45,089 to display a YoY growth of 13.3% and East Asia recording 29,243 arrivals with an increase of 65.6% YoY. The UK market continued its consistent growth trajectory inclining 5.2% YoY to send 15,996 tourists. Germany showed a growth of 12% YoY numbering 10,829 arrivals and France recorded 8.9% YoY growth with 7,134 arrivals. Almost all other Western European countries recorded double digit YoY growth for the month of December, continuing the mindset that winter continues to be a peak travel season.

The highest number of visitors arrived from India in December 2014, totaling 26,153 arrivals, the largest volume from a single country and increasing at a significant 15.9% YoY. The Maldives generated 14,092 crossings with a 3.5% YoY growth. 10,400 Chinese arrivals were recorded at a phenomenal increase of 120.4% YoY, while tourists from Japan increased 18.1% YoY to 4,041 and Indonesia by a mammoth 289.2 percent YoY to 5,184, showing signs of immense promise in this emerging market for Sri Lanka. Arrivals from Eastern Europe grew by 6.3% YoY to 19,998 in December.

Russian tourist numbers were up 7.4% YoY to 9,279, despite predictions by industry experts who foretold against any improvement that may be seen in this market. However, there is a paradigm of a massive downturn from this market from January 2015 given the weak Rouble, falling oil prices and economic sanctions. The Middle East market fell 24.3% YoY amid by the oil prices and socio-political upheavals. Tourists from the Australasian region increased 1.5% YoY, while tourists from North America inclined 6.6%.

In observing trends for the year, Western Europe continued to be Sri Lanka's most consistently growing marketing, heralding in excess of 429,007 arrivals showcased with 13.8% increase. The UK led with a 4.9% incline sending 144,168 tourists, Germany followed with 102,977 arrivals in a growth of 20.5% and France moved upwards too growing 22.5% with 78,883 travellers. Eastern Europe sourced 154,153 tourists, marking a growth of 22.6%, with Russia growing by 36.1%, although the Ukrainian market declined by 22.6% on



# CEO's Review of Operations Contd.

the back of the upheavals experienced in that country. Arrivals from the Middle East grew by 10.5%, North America by 10.7% and Australasia by 7.3%.

South Asia's numbers too continued to be impressive, maintaining the envisaged upward trajectory with a growth of 13.4% seen in 370,299 arrivals. India remained the largest source country for tourists, showcasing a growth rate of 16.3% with 242,734 arrivals and the Maldives emerging second with 86,359 arrivals, showing an 8.7% growth. East Asia grew by an impressive 53.2% to 280,511 arrivals and China contributed nearly half of those figures with a 136.1% increase to number 128,166 arrivals. Japan followed with 39,136 arrivals, a 30.8% growth and 29,558 Indonesian tourists were counted, notching a 68.5% increase.

Meanwhile, the government has set a target of 2 million visitors to the country for 2015 with a further target of 2.5 million tourists by end 2016. However, the slowdown of global demand and falling oil prices could have some impact in attaining the target, as well as the protracted uneasiness in Russia and some countries of the Middle East. But we strongly believe that with Sri Lanka continuing to be among some of the most 'must see' destinations as touted by international travel experts, the fact that the island remains unexplored adds to its esoteric attractions and Sri Lanka may see the emergence of newer markets and a traveller segment in the short to medium term. This will undoubtedly balance and assuage any fallout that may emerge, due to macro challenges emerging from

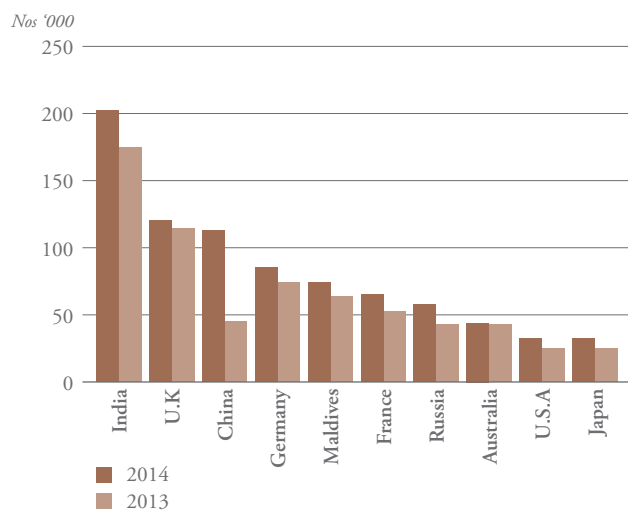
conventional markets that will cascade to curbing travel from those countries.

Further, the increasing spending power of the Chinese could tilt the scales in favour of Sri Lanka, creating job opportunities in the services sector with specific emphasis on the Chinese traveller, even permeating to generating employment in diverse areas including linguistics and specialty cuisine. Given that the Chinese government appears to be persuading its citizens to increase spending habits, Sri Lanka has begun to capitalise on this dynamic, taking advantage of the fact that Chinese domestic spending as a share of GDP will increase to 50% by 2020, as summarised by Verité Research. A targeted marketing strategy has already been launched to lure the Chinese market on the theme, Sri Lanka – Beauty in my eyes.

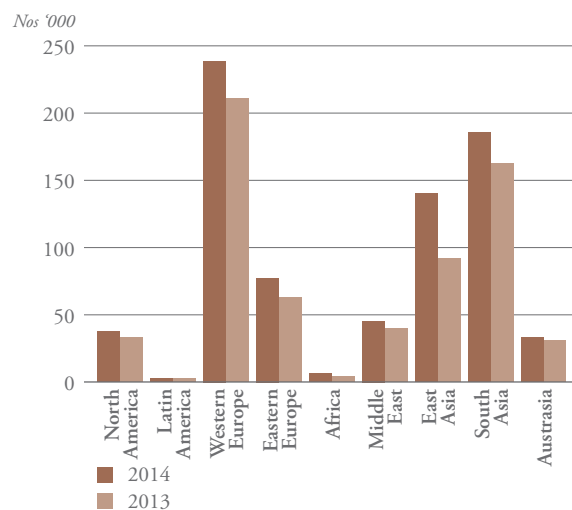
## Financial Perspectives

It has been a record breaking year for Fortress Resort & Spa, with milestones achieved in revenue, profitability and customer satisfaction, proving unequivocally that the elegance ingrained within our property leading to excellence in all key performance indicators is the hallmark that pushes us beyond achieving our goals. Revenue reached Rs. 687 Mn, a 5% increase compared to last year, while Net profit before tax gained considerable momentum, inclining 13% to Rs. 234 Mn compared to Rs. 207 Mn last year. Similarly, Profit after tax also posted an upward trend, showcasing growth of 7% to stand at Rs. 189 Mn this year from Rs. 177 Mn of last year.

**Top Ten Tourist Arrivals by Country of Residence**



**Tourist Arrivals by Region of as at End of December 2014**



Based on the comprehensive surveys we continue to conduct across every dynamic of the property, customer satisfaction increased to a noteworthy 82%, which is a 3% rise from last year's 79%. This also showcases our continuous emphasis on raising the bar in customer satisfaction, a feature that cannot be achieved in isolation as customer satisfaction remains the end result of a holistic experience that brings together the entire collation of our product and service offerings.

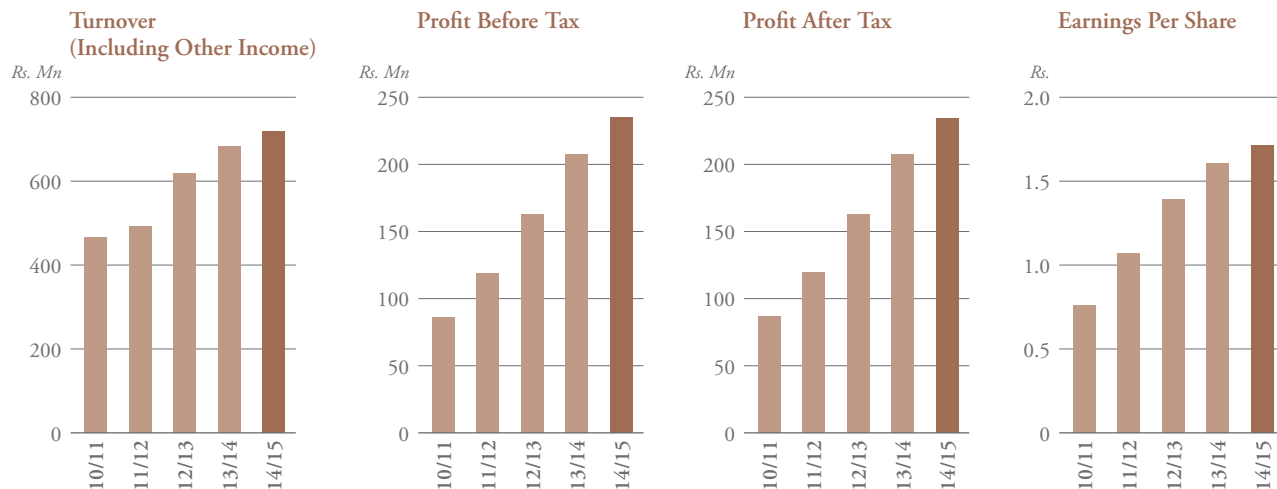
True evidence of having a sustainable organisation is revealed in the confidence that continues to be placed in us by our shareholders. Earnings per Share climbed to Rs. 1.71 against Rs. 1.60 recorded in 2013/14, while market price per share at end of financial year stood at Rs. 15/20. This is a 14% increase compared to the closing price seen on 31st March 2014. Net assets per share continued its increasing paradigm, gaining 16% from Rs. 10.95 to Rs. 12.66 at end of this financial year. Market capitalisation in the meanwhile inclined 14%, from Rs. 1,475 Mn as at 31st March 2014 to Rs. 1,685 Mn this year.

From the total tourism numbers arriving in Sri Lanka which amounted to 1.58 Mn for the year ended March 2015, we have served a total of over 27,000 guests this year. The highest number of guests arrived for us in January 2015 totaling 2,934, symptomatic of the winter season gaining momentum from our primary clientele segment which comes from Europe. December 2014 and February 2015 also followed suit given this seasonal trend. We sold an

**“It has been a record breaking year for Fortress Resort & Spa, with milestones achieved in revenue, profitability and customer satisfaction, proving unequivocally that the elegance ingrained within our property leading to excellence in all key performance indicators is the hallmark that pushes us beyond achieving our goals.”**

impressive 13,705 room nights this year, with the three months of December 2014 to February 2015 showcasing the highest number, echoing the winter season trends detailed earlier.

Fortress recorded 71% average occupancy this year, (with February having the highest average occupancy rate of 95%), which although is a decrease of 1% over last year, given that our revenue has increased, pinpoints to the fact that the value additions within our property are surely impacting our bottom line positively. With our property achieving our best turnover (including other income) of Rs. 716 Mn this year, with a positive increase of 5% compared to the previous year's turnover of Rs. 680 Mn (including other



# CEO's Review of Operations Contd.

income), the phenomenal results posted this year evidences our well planned sales and marketing strategy and our constant emphasis on improving the bar of excellence.

With unrelenting focus on entrenching the tenets of elegance into our unique brand of excellence, all sub departments worked strategically and with commitment to maintain revenue levels on par with the past years'. This focus ensured that each sub-department exceeded targets as is seen with F&B revenue increasing by 1 % and Spa revenue showcasing a commendable growth of 8%, posting Rs. 27 Mn. Total sundry revenue stands at Rs. 29 million, a 3% decrease over last year's posting of Rs. 30 Mn.

The trend of British clientele dominating resort stays continued this year as well, with Britain recording the highest number of room nights by a single nationality. 4,574 room nights were enjoyed by British nationals, 33% of the total room nights sold during the year channeled primarily through direct UK operators, local DMC's who handle UK market and booking engines.

Web marketing has surely gained momentum in the last few years, seeing a total of 3,471 room nights booked this year, which is a promising 25% increase. The more popular web engines include Booking.com which in fact saw a performance increase of an impressive 52%, the Fortress website, Agoda, SLH and Expedia. We inked a partnership with Expedia during the year given the considerable potential we had observed in the website's reach, seeing

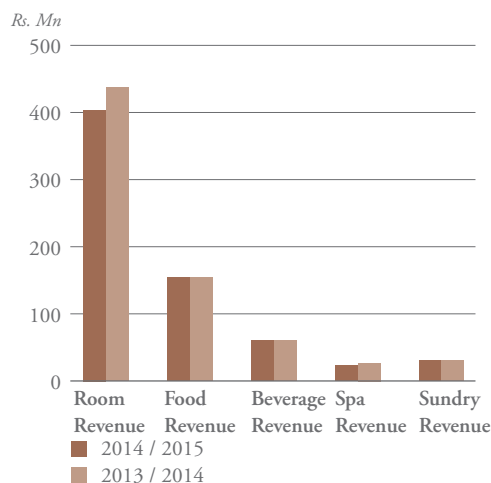
our observations fulfilled given that Expedia contributed 11% of our total web sales.

## Readying for a new phase

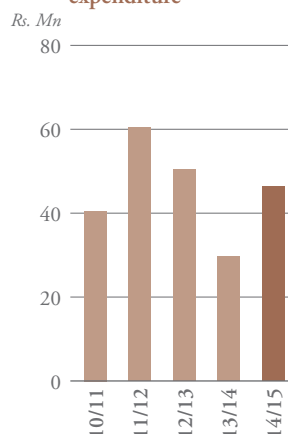
It is a renowned fact now that Sri Lanka will surely continue its prestigious status among the topmost tourist destinations in the world. This also means that properties like ours must and have to meet the aspirations of the discerning traveler, ensuring that every single dynamic of our property, remains on par or better than our regional competition. Fortress Resort & Spa has proven without doubt that our property is superior, constructed on a foundation of elegance entwined with excellence and that pushes us to continue innovating, developing our strengths and identifying the gaps and bridging them. We are also cognizant of the need to continually upgrade our infrastructure and facilities to ensure that we present a property that exceeds our guest expectations.

This year, we infused a capital expenditure of Rs. 47 Mn, an increase of 56% over last year primarily on re-fitting the bedrooms with beds, mattresses and linen, installing fans and in upgrading our kitchen with more state of the art equipment. Adding luxurious features into our bedrooms, our investment in ultra-comfortable mattresses and Italian bed linen produced using Egyptian cotton is a part of our property's annual replacement plan, a strategy aimed at ensuring that our amenities and product continues to meet exceptional standards. Similarly, the replacement of the ceiling fans too was undertaken to maintain these standards and to augment

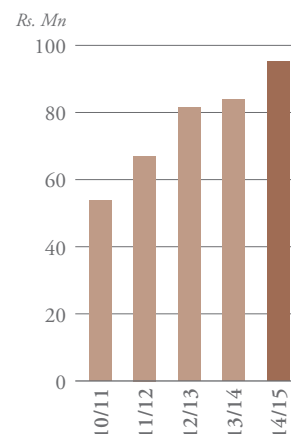
Revenue Mix



Investment in Capital expenditure



Wealth to Employees





the option of guests having to either use the facility of our fully air-conditioned rooms or opt for using the fans to enjoy the natural beach-side ambience through open windows. We have also added mini-wine coolers to each of the rooms at an investment of Rs. 2.1 Mn, a definite value addition to the discerning guests we welcome through our portals daily.

To expand the offerings and service levels at our F&B outlets, we invested in kitchen equipment to enhance preparation and service efficiencies.

Our new beach restaurant was opened this year, coinciding with the peak season, promoted through special marketing campaigns and events. Serving Fortress iconic fare, the theme restaurant allows guests to imbibe in the beauty of the tropical seaside, while indulging in signature cuisine that has become a hallmark of our property. The investment of Rs. 6.3 Mn on the construction of this restaurant, primarily handled by our own maintenance and engineering team, is architecturally unique with luxurious vignettes including hardwood timber floors topped with a stylized thatched roof imported from China, opening out through an artistic timber gate into the full expanse of the beach and Indian Ocean.

Given our guests' preference to be swathed by the beauty of the tropical beach, we added new beach umbrellas that can host a total of 10 guests at a time. At an investment of Rs. 1.5 Mn from Italy, these umbrellas provide the perfect locale for a quiet dinner under the stars or even the option of some revelry at night.

One of our unique service USPs is our top of the range butler service, an assured advantage that has given us an edge with our repeat customers. Highly trained and taking customer service levels above the competition, this is a true Fortress offering of elegance entwined with excellence that takes the guest beyond the realm of their expectations.

Implementing these upgrades and refurbishments were challenging given that the property was operating at an average occupancy of 71% and hence it is indeed commendable that our team did not compromise in any form when implementing each of these initiatives. They ensured that our product and service offerings were maintained beyond the standards expected right throughout implementation. No closures or stoppage of any facility was necessary.

Having to compete with similar properties regionally, although we know full well that Fortress Resort & Spa remains indescribably unique, it is imperative that we continue to showcase ourselves at global and regional travel and hospitality events, to gain maximum advantage. This year, Fortress Resort & Spa was present at ILTM Asia in Shanghai, Kuoni Holiday Experience Fair in Zurich, World Travel Market in London, ILTM Cannes and Berlin. We have also used our knowledge and prevailing analysis to take a cue in establishing a strong foothold in regions that display growth prospects for us, including an inroad into the US market, a country that has seen an upsurge in tourism potential into Sri Lanka.

Having observed the trends this year and the quantitative results we have had, we strongly believe that F&B is the watershed in our bottomline next year. We intend to use this advantage and position ourselves for an incremental growth in sales, taking full advantage of the expressway's extension upto Matara, which would naturally add the positive of hassle free travel from Colombo and other surrounding major cities and tourist hotspots. Our themed Japanese and Beach restaurants will undoubtedly have an increased clientele, each of who seeks unique dining experiences, away from the bustling metropolis.

### **Bridging the Gaps**

With the hospitality industry in Sri Lanka burgeoning more quickly than anticipated, one of the biggest challenges permeating the industry is the dearth of skilled competent personnel, who are committed to remain in the industry and willing learners who can adapt to an evolutionary milieu. Given that guest expectations are high and discerning, staff must be able to grasp guest expectations and adapt the offering presented without compromise. Having observed this gap emerging some time ago, Fortress launched several training initiatives that would enable us to assuage some of the gaps emerging due to this very challenging feature. We do realise that the results of the training and development initiatives will not have immediate impact given that each learning exercise must be absorbed to the fullest before it cascades into real-time operations within the property. With skilled labour too becoming scarce, our initiatives of recognising and rewarding our team is well entrenched into our HR practices, ensuring that our labour retention remains high and the sense of loyalty towards the Company also is well secured. Thus, the distribution of wealth to employees was Rs. 95 Mn, during the year under review.

# CEO's Review of Operations Contd.

We do believe that we would have to seek a new communication methodology and terminology to express our premium offerings, aligned to the new horizons we keep pursuing. Well-planned executed strategies and initiatives have been instrumental in securing a number of notable accomplishments during the year, all of which are tangibly upheld in the increased revenues stemming from higher customer feedback, the ability to delight our customers which has also imbued to attracting repeat clients and heralding enhanced lengths of stay.

We have also maintained a conscious effort of prudent cost management, the advantages of which are well seen in the enhanced revenue streams. These quantitative positives will naturally propel us towards bigger and better horizons, forging and strengthening the relationships we have constructed with our various stakeholder segments.

## Building on a Dynamic Team

With excellence in service being the crux of our success, we know full well that it is our team that drives this brand of excellence, placing the property among the top properties in Sri Lanka and certainly in some parts of this region as well. Each of the milestones that have been achieved this year is attributed primarily to the dynamism, motivation and absolute commitment of our team, which I believe is the secret to our success. We have set the benchmark in the industry for the highest rewards and remuneration given to our team, which is a definite positive in retaining the skills and competencies within. We have a transparent culture in recruitment and practice absolute non-discrimination in gender, religion, culture and age, adhering to all relevant labour diktats as detailed by the hospitality industry, the Ministry of Tourism and the International Labour Organisation. We eschew child labour in any form, a practice that permeates our relationships with all our stakeholders.

To continue the unbridled enthusiasm we see among our team however, we also realise that it is imperative that we continue to stimulate them, allowing them to reach their career goals and aspirations, while building our vision into the equation. We have always imbued a knowledge gaining culture within our property, encouraging our team to build on their latent talent, develop their skills and upgrade their knowledge in diverse areas, which will all add value to what they deliver to themselves, their place of work and the nation.

Training & Development hence holds pride of place in our HR culture. A Training Manager was appointed this year to spearhead all our T&D initiatives. We invested a total of Rs. 0.2 Mn this year on our training and development initiatives conducted by both local and international industry experts. The programmes included English language training for about fifty front line team members conducted by the British Council encompassing fifty training hours at an investment of Rs. 2.5 Mn and an investment of Rs. 1.5 Mn infused towards a refresher training programme for Butlers conducted by the Australian Butlers Academy for the next year.

## Sustainability at the Core

The hospitality industry is undoubtedly an industry that universally utilizes high energy, but is increasingly becoming conscious of its role to practice environmentally friendly initiatives and present stakeholders with a more green brand of tourism. As a leading hospitality player in Sri Lanka, we have taken our role of being environmentally conscious more seriously and have been instituting numerous initiatives over the year to reduce our carbon footprint.

One of our most significant milestones in our green calendar this year was the commissioning of a model solar power project, partly replacing the use of the diesel fired boiler. This solar initiative now operates the property's hot water system and provides steam to the laundry.

Having been in operation for just five months, the table below displays the significant reduction in diesel consumption, which has resulted in considerable cost and energy saving due to the usage of solar power. We saved a total of 4,280 liters of diesel compared to the previous year in those five months, effecting a cost saving of Rs. 0.4 Mn, which we anticipate will double over the coming year.

Month	Diesel Consumption 14/15 (litres)	Diesel Consumption 13/14 (litre)
November	9,315	9,392
December	8,929	10,850
January	9,094	10,417
February	9,318	9,147
March	8,824	9,954
Total consumption for 5 months	45,480	49,760

We have also begun our own organic agricultural farm, having leased out one acre of land from the BOI. In its fledgling stage, this emboldened green step taken by us will surely see the fruits of our labour gain much fruition in the next year. The objective is for our property to serve organic fare, grown and tended in our own farms, which is surely a value addition for the greener conscious guest. The investment on this organic farm is Rs. 0.8 Mn incurred for the year 2014 / 2015.

We are also firm proponents of the 3R philosophy of Reduce Reuse and Recycle, encouraging not only our team but our valued business partners too to undertake this initiative as a sustainable green measure.

Believing strongly in carrying the ethos of sustainability throughout the community, our sustainability initiatives are constructed on long term results that would permeate positively within the communities around us. By gathering those from the community into our team, we have ensured that lifestyles are upgraded and economic and social upliftment within the community is also well entrenched.

Employee volunteerism runs strong through our team and we encourage them to take and gain ownership of the projects we undertake with the community. Based on the primary platforms of entrepreneurial development, education, health and cultural awareness, details of these projects can be found in the Sustainability Report.

### Thinking Ahead

We do know that the year ahead will be challenging, especially from a global tourism perspective which has retained a rather evolutionary face, with predictions being a near impossibility. The uncertainties on occupancy and markets will continue, impacted by the Eurozone continuing to show little reverse to its downturn, political instability dogging major markets including Russia and the Middle East and limited spending power still pervading major western markets, including the UK.

However, The Fortress Resort & Spa have already begun conceptualising and implementing numerous plans and strategies, built on market analysis and emerging trends. The aim is to capture niche markets, a process already begun with marketing campaigns being publicised in France and Belgium, two markets we have not tapped thus far. We did observe immense potential in both the Chinese and Indian markets from feedback received in Shanghai,

with Chinese operators observing our proposals positively. A double digit increase is envisaged from the Chinese market in the next year.

Our web interaction too will be much more emphasized to maximise opportunity, optimising our presence through our own booking engine. Given that total web sales this year saw a 45% increase to post revenue of Rs. 128 Mn over last year's Rs. 88 Mn from a country perspective, we strongly believe this would certainly point to some amazing inroads of opportunity ahead.

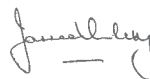
### Appreciations

I am most appreciative of the direction and strategic leadership unreservedly extended to me by the Chairman and Board of Directors, who have been instrumental in The Fortress Resort & Spa achieving one of the best years in history. I am fortunate to work with such a high caliber of eminent persons on whose collective wisdom we can always rely upon.

I remain extremely proud of my team who have been at the forefront of creating a property that is emulated as a leader in the industry. We are certainly fortunate to have this group of highly committed and motivated individuals who have, with great ambition, leadership and aspiration taken the property to great heights.

To our Shareholders, my immense thanks as you have been the rudder in our times past and in times of the future; it is you who have placed confidence in us to continue reaching for horizons that may seem impossible to some.

We remain at the helm of the industry, a competitive one no doubt but one that we are unafraid to conquer and continue etching milestones in our journey. We will uphold our underlying tenet of being a property that has elegance entwined with excellence, raising the bar of achievement and pushing Sri Lanka into the realms of having some of the world's best properties and brands of service excellence.



Mr. J A S Sumith Adhihetty  
*Managing Director*

18 May 2015  
Colombo









The Fortress is unmatched in terms of finesse, diligence and exuberance. With elegance embedded as a key feature with exemplary focus we offer something riveting and breathtaking, an experience right after your heart's desire, your soul's content.



# Profile of Directors







01	02	09	10
03	04	11	12
05	06	13	14
07	08	15	

# Profile of Directors

01

## 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 27 years of experience in building formidable businesses through unmatched strategic foresight.

Mr. Perera is the Chairman of Sampath Bank PLC, Vallibel One PLC, Vallibel Power Erathna PLC, Royal Ceramics Lanka PLC, Delmege Limited and San Tan Beach Resorts Ltd. He is the Co-Chairman of Hayleys PLC, Deputy Chairman of Horana Plantations PLC and Lanka Tiles PLC. He also serves on the Boards of Vallibel Finance PLC, Lanka Ceramic PLC, Amaya Leisure PLC, Haycarb PLC, Hayleys MGT Knitting Mills PLC, The Kingsbury PLC, Dipped Products PLC, and Hayleys Global Beverages (Pvt) Ltd.

He was the Chairman and Director General, Board of Investments, Sri Lanka, Secretary to the Ministry of Transport, Sri Lanka and member of the Board of Directors of Strategic Enterprise Management Agency (SEMA).

02

## Mr. Sumith Adhithetty

*Managing Director*

A well-known professional in the marketing field, he counts over 35 years of experience in the finance sector.

He serves on the Boards of Vallibel One PLC, Summer Season Residencies Ltd, Summer Season Ltd, La Forteresse (Private) Limited. He is also 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 Tours Limited and Security Ceylon (Pvt) Limited.

03

## Mr. Nimal Perera

*Alternate Director to Mr.P.B.Perera*

Mr. Nimal Perera serves on Boards of Pan Asia Banking Corporation PLC, Lanka Tiles PLC, Lanka Walltiles PLC, Lanka Ceramic PLC, Horana Plantations PLC, Swisstek Ceylon PLC, N P Capital Limited and N Capital (Pvt) Ltd as the Chairman, Royal Ceramics Lanka PLC as the Managing Director, Vallibel One PLC as the Deputy Chairman, L B Finance PLC as an Executive Director and Vallibel Power Erathna PLC as an Alternate Director.

He also holds directorships in Hayleys PLC, The Kingsbury PLC, Haycarb PLC, Talawakelle Tea Estates PLC and Amaya Leisure PLC.

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

04

## Mr. W A C J Wickramasinha

*Director*

Mr. Chandra J. Wickramasinha 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. He is also the Chairman of La Forteresse (Private) Limited.

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

**05 Mr. Malik J Fernando***Director*

Mr. Malik J. Fernando was appointed to the Board of The Fortress PLC on 27th May 1999 as a Director. He is also a Director of La Forteresse (Private) Limited.

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.

**06 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 also a Director of La Forteresse (Private) Limited.

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.

**07 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 La Forteresse (Private) Limited.

**08 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 the Managing Director of Amaya Leisure PLC, Hunas Falls Hotels PLC, The Kingsbury PLC, and Director of Royal Ceramic Lanka PLC, Kelani Valley Plantations PLC, La Forteresse (Private) Limited, Royal Porcelain (Private) Limited, Rocell Bathware Limited, Culture Club Resorts (Pvt) Ltd, Kandyana Resorts (Pvt) Ltd, Hayleys PLC.

**09 Mr. L N de Silva Wijeyeratne***Director*

Mr. L N de Silva Wijeyeratne who was appointed to the Board of The Fortress PLC on 22nd March 2010 is a fellow of the Institute of Chartered Accountants in Sri Lanka and counts over Thirty Six years' experience in Finance and General Management both in Sri Lanka and overseas.

He is presently a Director of DFCC Vardhana Bank PLC, L B Finance PLC, Talawakelle Tea Estates PLC, The Nuwara Eliya Hotels Company PLC, Rockland Distilleries (Pvt) Ltd, The Kingsbury PLC, Aitken Spence Plantation Managements PLC and Kelani Valley Plantations PLC. He is also a Member of the Quality Assurance Board of the Institute of Chartered Accountants of Sri Lanka.

He was the Group Finance Director of Richard Pieris PLC from January 1997 to June 2008 and also held Senior Management positions at Aitken Spence & Company, Brooke Bonds Ceylon Ltd and Zambia Consolidated Copper Mines Ltd. Also served on the Board of Property Development PLC and was a Member of the Accounting Standards and Monitoring Board of Sri Lanka.

# Profile of Directors Contd.

10

## **Mr. D E Silva**

*Director*

A 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. He was awarded the Management Diploma in Hotel and Catering Operations with a Second Class Upper Division. He is also a Director of Amaya Leisure PLC, Maalu Maalu Resorts and Spa, Hunas Falls Hotels PLC, Delair Travels (Pvt) Ltd, The Kingsbury PLC, and Sun Tan Beach Resorts and counts over 22 years of experience in the Hospitality Industry specializing in Marketing and Sales. He is a Member of Chartered Institute of Marketing.

He heads the Marketing & Sales functions of Amaya Resorts & Spas as well as the Kingsbury. Mr Silva currently functions as the Head of the Marketing Sub-Committee and Managing Committee Partners of the Hotels Association of Sri Lanka, President of the Travel Trade Sports Club, Vice Chairman of the Asia Pacific Travel Association-Sri Lanka Chapter and an active Member of SKAL International, Colombo. He is additionally an All Island Justice of the Peace.

11

## **Mr. Prashan Buddhika Perera**

*Director*

Mr. Prashan Perera joined the company as a director on the 8th August 2012. He also serves on the Board of Vallibel Power Erathna PLC as a Director. He worked for the American Express – Head Office in New York, USA for one year and at present working for Ernst & Young in Singapore. He earned his Bachelor's Degree in Finance from the Bentley University of Boston, USA.

12

## **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.

13

## **Mr. Jan Peter Van Twest**

*Director / General Manager*

Mr. Jan 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.

14

## **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. Presently he is on the Boards of Kelani Valley Plantations PLC and Vallibel Power Erathna PLC.



**Ms. Manjarie Tissera**

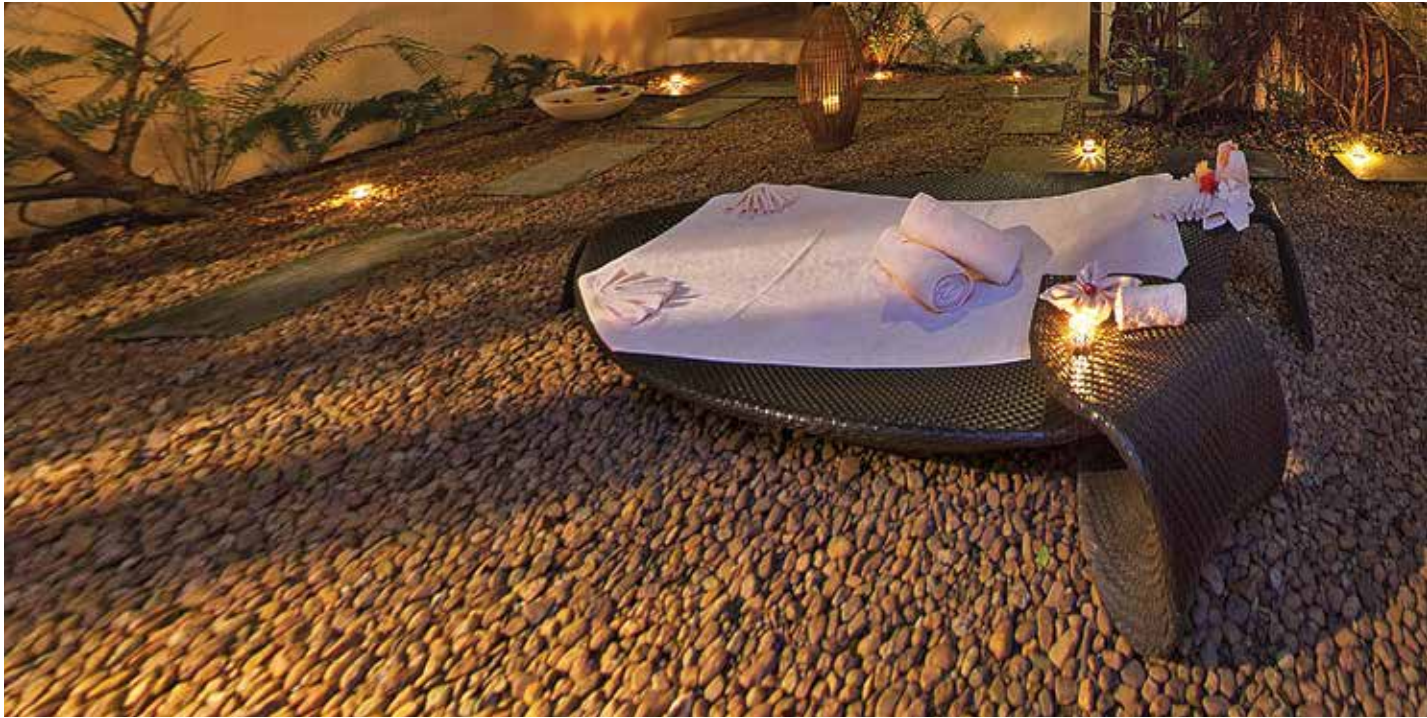
(Alternate Director to Mr. Dhammika Perera)

Ms. Manjarie Tissera was appointed to the Board of The Fortress Resorts PLC as the Alternate Director to Mr. Dhammika Perera, in May 2014.

Presently, she is the Head of e-Business Development for Vallibel One PLC and her key areas of expertise are Web strategy, Website development, Web marketing & revenue Management, IT infrastructure, system implementation, and change management.

Previously, she was attached to Toyota Motor Corporation, New York, USA, for a period of 5 years and was also a Non – Executive Director of Orit Inspired Creations (Pvt) Ltd, Orit Intimate Apparel (Pvt) Ltd and Orit Apparels Lanka (Pvt) Ltd for a period of 3 years.

She has completed her Master in Business Administration from Australia and Bachelor of Business Administration from Florida, USA.



Our internationally renowned and award winning Spa provides cutting edge amenities, trust in our connoisseurs to ensure a liberating and overwhelming experience. After all without peace of mind there cannot be peace of life.

We provide fully fledged facilities for the health oriented customer that values fitness equal to a sense of exotic adventure. Be the multi-faceted pursuer of fulfilling your pleasures and passions in life.







# Management Discussion & Analysis

Working on an ethos that retains excellence at the zenith of everything we do, at The Fortress Resort & Spa our everyday practice is to constantly raise that bar of excellence. This is inherent in our character, our DNA and in our personal because it is in our nature to strive to be the best. The elegance we permeate throughout our property entwined with the quintessence of excellence we espouse has reaped in rewards, specifically from our stakeholders, which to us provides us the ultimate litmus test, in which we have excelled.

Looking back over the year, it has been yet another rewarding one for us; the property welcomed both repeat and new guests, product and service offerings raised the bar in innovations and our team became even more enthusiastic in adding to our competitive advantages.

## Industry Overview

Continued growth and deepening diversification in the global tourism industry has made it one of the fastest growing economic sectors in the world. Modern tourism is closely linked to development and encompasses a growing number of new destinations. These dynamics have turned tourism into a key driver for socio-economic progress. The industry continues to play a leading role as one of the major players in international commerce, with its growth being balanced with an increasing diversification and competition among destinations.

An ever increasing number of destinations worldwide have opened up to and invested in tourism, turning tourism into a key driver of socio-economic progress through export revenues, the creation of jobs and enterprises, and infrastructure development. Over the past six decades, tourism has experienced continued expansion and diversification, becoming one of the largest and fastest-growing economic sectors in the world, with numerous new destinations emerging to augment the traditional favourites of Europe and North America.

Despite occasional shocks, international tourist arrivals have shown virtually uninterrupted growth; from 25 million in 1950 to 278 million in 1980, 528 million in 1995, and 1087 million in 2013. And in 2014, the tourism industry continued as the world's fastest growing industry, hitting a new record of 1.1 billion tourists traveling the world, with overnight visitors reaching 978 million, a significant 45 million more than the corresponding period.

These figures from the UN World Travel Organisation, post that in the first ten months of 2014, international tourism growth

showcased 5% in numbers, well above expectations of the long term trend projected for the decade 2010-2020. Growth is expected to average 3.8% over that decade. Between 2010 and 2030, arrivals in emerging destinations will see increases of upto 4.4%, growing twice the rate as advanced economies, which will remain at 2.2% annually. The market share of emerging economies is expected to reach 57% by 2030, equivalent to over 1 billion international tourist arrivals.

The Americas recorded the strongest growth by region registering an increase of 8%, followed by Asia and the Pacific showcasing its most promising year with 5% and Europe by 4%. In the sub-regions, North America and South Asia showed growth inclines of 9% and 8% respectively, while Southern and Mediterranean Europe, North-East Asia and Northern Europe all heralded growth just below, to stand at 7% for each sub-region. It is noted that these results are remarkable, considering that different parts of the world continue to face permeating geopolitical challenges, while global economic recovery remains slow.

It is also observed that the America's performance this year is the best since 2004, with particularly positive results in North America being backed by the extraordinary performance of Mexico and the USA. While international arrivals to the Asia Pacific increased 5%, consolidating the region's growth trend in recent times, it is South Asia with its growth of 8% led by India which posted 7% growth and North East Asia's 7% growth where Japan and Korea registered double digit growth, that posted the best results. Arrivals in Oceania also inclined 6% primarily due to the increase of arrivals in Australia and New Zealand. In South-East Asia however, a slowing down was seen with just 2% growth notched, attributed to the decline of arrivals in Thailand which contended with some social unrest during the year.

Europe retained its status as the most visited region in the world, showcasing 4% increase in arrivals until October 2014, due to strong results in Northern Europe and Southern Mediterranean Europe, both posting 7% growth. Here established destinations such as Greece, Portugal, Spain and Malta recorded robust growth. Western Europe was more modest at 2% growth, while Central and Eastern Europe remained stagnant, in stark contrast with the last three years, when arrivals grew at an average of 8% a year.

The Middle East pushed upwards to 4% growth despite being steeped in various quagmires and unrest, with Egypt, Jordan, Lebanon and Saudi Arabia surprisingly improving performance. Africa also displayed some positive transformations, showing growth of 3%, with North Africa being the panacea, growing 2%. South



Africa's arrivals were up by 3% despite the challenges of Ebola in a few West African countries. This region however should be perceived as a volatile one and mapping trends will continue to be somewhat challenging.

### Top Five Fastest Growing Nations in Tourism in Asia

Country	AAGR % 2014 - 2018	AAGR % 2008 - 2012	AAGR % 2008 - 2018
Thailand	27.5%	11.2%	18.5%
Myanmar	17.7%	32.4%	25.5%
Cambodia	13.2%	15.7%	15.1%
Bhutan	12.9%	12.3%	11.7%
Lao PDR	11.6%	17.7%	15.7%

AAGR %= Average annual growth rate in tourist arrivals

### Growth in tourist arrivals to Sri Lanka

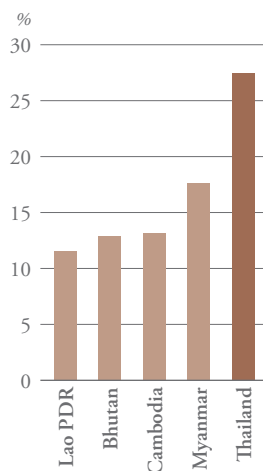
Year	Number of tourist arrivals	YOY Growth
2012/2013	1,082,799	14.2%
2013/2014	1,358,335	25.4%
2014/2015	1,584,490	16.6%

It is pertinent to note that Sri Lanka's tourism growth in 2013/14 was on par with that of Myanmar, while this year, it's closer to Thailand and well above the growth rate being experienced by Myanmar. This burgeoning trend augurs well for our tourism industry, although the global industry in itself is transforming into a very competitive and challenging one, catering to much traveled customers who are discerning and demanding.

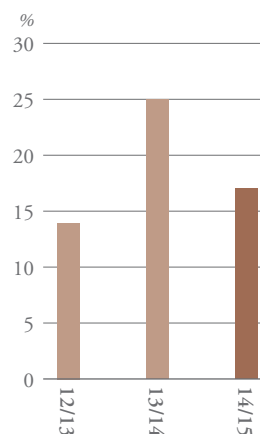
Room nights have seen some change this year with the average room nights declining from 10.5 days to 8.64. However, the average spend per tourist per day has increased from US\$ 103 to US \$156, showcasing the higher calibre of tourists attracted to Sri Lanka and also positing the promise and potential the industry has to enable more investment into the industry on a global scale.

Having seen the potential for the tourism industry to become one of the biggest foreign exchange earners for Sri Lanka's US \$73 billion economy, a concerted national drive with the participation of both the private and public sectors has gathered immense momentum. Promoted and featured by leading travel magazines and travel writers the world over as a 'must see' destination yet undiscovered and unexplored, Sri Lanka gained added kudos when one of the leading travel magazines in the world identified the country as the second best shopping destination after Singapore.

AAGR % for 2014 - 2018



Growth in Tourist Arrivals to Sri Lanka YOY Growth



# Management Discussion & Analysis Contd.

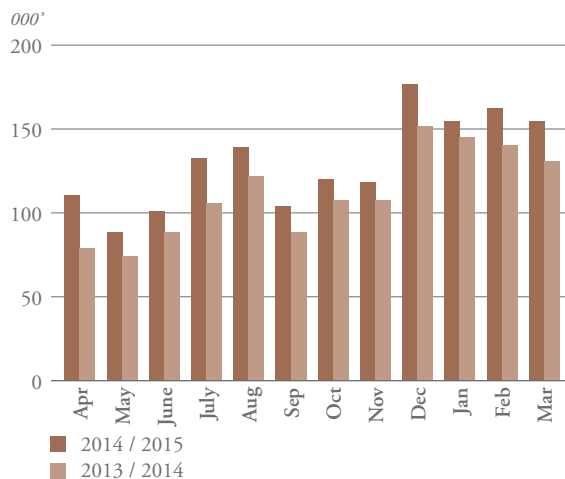
As a destination, Sri Lanka has been showcasing its presence at major travel marts and exhibitions, while also working on destination marketing in individual countries where potential is imminent. The marketing and promotional initiatives have borne fruit with the country being placed fourth from 83 countries and 11,000 exhibition booths, at the world's biggest travel and tourism convention, ITB 2015. The country was classified as the most competitive geographical area in the Asia/Australia/Oceania region, given that most of the West travels into these hot spots in Asia. It is believed that Asia attracts the highest and the best quality tourists and includes countries like Mongolia, Maldives, Vietnam, Malaysia, Singapore and new emerging market of Myanmar. For Sri Lanka as a destination therefore, this was an accolade that can surely be capitalized on in the coming year to attract the higher end tourist the country has been trying to entice.

Prior to this accolade, Sri Lanka had any way set the pathway to attract tourists, combining an aggressive expansion and refurbishment plan for the product and offerings of Destination Sri Lanka. This resulted in Sri Lanka welcoming 1,584,490 tourists for the year of 2014/15, with arrivals in April 2014 of 112,631 showing a very healthy YOY growth of 40% compared to April 2013. The arrivals target set by the State of 1.5 million was met in 2014 as was the revenue target of US \$1.8 Bn. The island hopes to reach 2.5 million arrivals and earn \$3.5 billion by 2016.

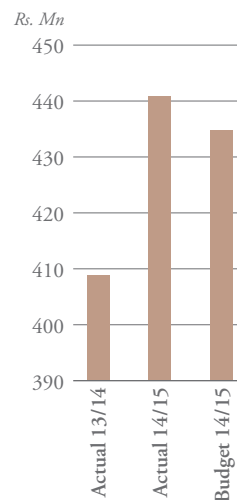
## Monthly break down of tourist arrivals in 2014 / 2015 compared to 2013 / 2014

Month	2014 / 2015	2013 / 2014	Increased by	Increased %
April	112,631	80,737	31,894	40%
May	90,046	74,838	15,208	20%
June	103,175	90,279	12,896	14%
July	133,971	107,016	26,955	25%
August	140,319	123,229	17,090	14%
September	105,535	90,339	15,196	17%
October	121,576	107,058	14,578	14%
November	119,727	109,420	10,307	9%
December	178,672	153,918	24,754	16%
January	156,246	146,575	9,671	7%
February	165,541	141,878	23,663	17%
March	157,051	133,048	24,003	18%
<b>Total</b>	<b>1,584,490</b>	<b>1,358,335</b>	<b>226,155</b>	<b>17%</b>

**Tourist Arrivals**



**Room Revenue**



## Our Quantitative and Qualitative Approaches

We have continued to etch our status as a symbol of luxury among hotels in the country, the Indian sub-continent and certainly among the more discerning global traveler. Our expansive repeat customer base is primarily attributed to the exclusivity of our resort and our own unique brand of hospitality. Our team remains one of the best in the industry, highly trained and highly skilled, working in a knowledge gaining culture of innovation and best practices, founded on the ultimate aim of delighting our customers unconditionally.

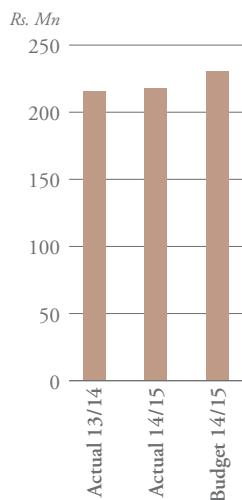
This is an inherent feature which we know we have done absolutely right, given the evidence detailed in our customer survey insight report which records a phenomenal 82% level in customer satisfaction, certainly a difficult goal to achieve given that the success of our resort rests significantly on service levels and it is our team that delivers this indulgent service, with no compromise. According to our CSI report, all departments have been unwaveringly focused on improving service levels and infused corrective measures wherever necessary to bridge gaps and assuage weaknesses. Training and Development thus takes absolute precedence in the delivery of our goals.

Area	14/15 Actual Rs.	14/15 Budget Rs.	13/14 Actual Rs.
Accommodation revenue	441,182,931	435,466,696	409,210,092
Food revenue	157,492,613	166,877,722	155,830,497
Beverage revenue	60,944,625	64,060,990	60,029,197
Spa Revenue	27,356,394	28,148,666	25,456,360
Sundry revenue	28,952,799	31,977,191	30,020,015
<b>Total revenue</b>	<b>715,929,363</b>	<b>726,531,265</b>	<b>680,546,161</b>

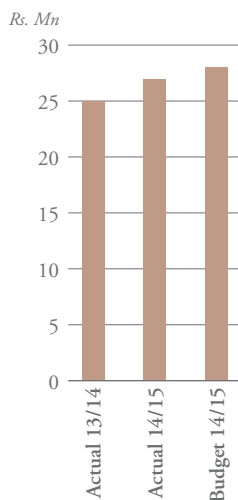
We showcased a record breaking year in accommodation, with revenue posted well above last year and well above budget forecasts as well. The key factor attributed to this impressive performance is the increase in average room rate, which even though occupancy remained at 72% (budgeted to be 75%), revenue targets increased comprehensively, making up for the imbalance.

The success undoubtedly is attributed to our astuteness in managing room inventory efficiently and in the timely marketing of online promotions. Even with a 1% drop in occupancy, when compared to the previous year, room revenue increased by approximately Rs. 32 Mn in the current year, an impressive 8% increase against last year. Web sales have contributed considerably in the increase seen in room revenue, posting a trajectory of 48%, which we observe will be a trend that will continue at least in the short to medium term.

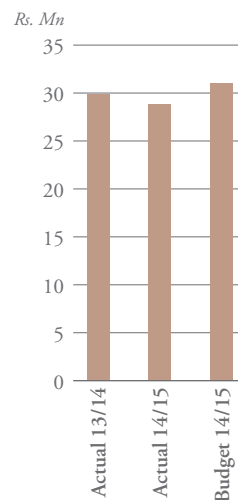
**Food & Beverage Revenue**



**Spa Revenue**



**Sundry Revenue**



# Management Discussion & Analysis Contd.

Sundry revenues also fell short of budget, albeit marginal. Some limitations imposed by the state impacted this revenue stream, especially the changes to regulations governing marriages by foreigners in Sri Lanka, which saw a drop in our wedding revenue by 31%.

## Significant Key Performance Indicators related to Departmental performance

### Rooms Division

Area	14/15 Actual Rs.	14/15 Budget Rs.	13/14 Actual Rs.
Occupancy	71%	75%	72%
Room nights sold	13,705	14,447	13,974
Average room rate (ARR) Rs.	32,191	30,090	29,284
Average room rate (ARR) \$	248	231	225
Room revenue	441,182,931	435,466,696	409,210,092

The significant increase observed in the average room rate (ARR) of 10%, positively impacted room revenues, despite low occupancy rates. This is also an increase of 7% of our forecasts. We attribute this exemplary performance to the support we have generated through online booking agents, which rates are generally higher than those of tour operators. The ARR recorded through our online systems therefore is posted at Rs. 36,967, an equivalent of US \$ 284, 5% higher than regular ARR. The increase of ARR generated through this stream was Rs. 5,023 per room night, a 16% increase against last year's recorded online ARR.

ARR generated from local DMCs also increased by 9% from Rs. 34,929 to Rs. 38,193, with the primary contributor being the UK market, which showcased a 15% increase from Rs. 23,940 to Rs. 26,958. The Eurozone continued to be dogged by its economic woes and did not perform as envisaged, posting a 7% negative decline.

### Food & Beverage

Area	14/15 Actual Rs.	14/15 Budget Rs.	13/14 Actual Rs.
Number of Guests	27,018	28,894	26,886
Number of room nights	13,705	14,447	13,974
Food & Beverage revenue Rs.	218,437,238	230,938,712	215,859,694
F & B revenue per guest Rs.	7,919	7,993	8,071
F & B revenue per Occupied room Rs.	15,939	15,447	15,985

Down South Sri Lanka has seen intense competition with numerous outlets taking advantage of the expressway and more guests making their way to southern destinations for diverse dining experiences. Despite this competition, F&B revenues at Fortress Resort & Spa exceeded revenues gained last year posting Rs. 26 Mn in revenue through external dining guests. However, we did not meet the budgeted expectations of Rs. 30 Mn, which we intend to focus on in the coming year, augmented by our new dining venues and more innovative cuisine options being added to the menu. 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 is alluring to many locals seeking some quietude away from the commercial hub, while enjoying a unique dining experience in luxurious surroundings.

Even with the shortfall to forecast figures in our F&B segment which is attributed to less occupancy and less guest count this year, per guest revenue on F&B has only declined marginally by 2%, with per room night F&B revenue also decreasing by a slight 0.3%. But due to our unwavering service credo and with our property being one of unsurpassed customer service constructed on delighting the customer at all costs, our F&B team were able to enhance revenues by 3% this year, working on innovative offerings and service excellence. However, escalating prices also impacted F&B costs, having a cascading impact on cuisine offered.



## Spa

Area	14/15 Actual Rs.	14/15 Budget Rs.	13/14 Actual Rs.
Number of guests in the Hotel	27,018	28,894	26,886
Number of guests in the Spa	3,262	2920	2822
Capture Ratio	12%	10%	10%
Spa revenue Rs.	27,356,394	28,148,666	25,456,360
Spa revenue per guest Rs.	1,012	974	947
Spa revenue per occupied room Rs.	1,996	1,948	1,822

Our Spa remains one of the best in the locale, given our highly trained Spa team. However, while Spa revenues too did not meet forecast figures, it however did exceed last year's revenue by Rs. 2 Mn, a significant increase of 8%, notched at Rs 27.3 Mn, considering that we operated under somewhat challenging conditions. The drop in occupancy also impacted this decline in revenue against our forecast, but we are contented with our results which we intend to move upwards from next year on.

It is a significant factor that Spa revenue per guest has increased to Rs. 1,012 from Rs. 974 in the previous year, an almost 7% increase. Similarly, Spa revenue per occupied room also increased to Rs. 1,996 from Rs. 1,822, a 9% growth shown from the previous year. But most importantly, it is our capture ratio that stands out, given that it increased by 2% and augurs well for augmenting our spa revenue in the next year and beyond.

## Sundry Revenues

Area	14/15 Actual Rs.	14/15 Budget Rs.	13/14 Actual Rs.
Rent Income Rs.	5,745,550	5,745,550	4,050,000
Excursions & Transfers	12,308,942	12,205,000	11,117,500
Weddings (Guest weddings)	2,673,636	5,260,000	3,855,897
Laundry Income	3,364,000	3,282,528	3,008,427
Boutique shop	3,431,681	4,005,000	3,686,333
Others	1,477,809	2,038,500	1,756,912

With the end to the war five years ago and the access to previously non-accessible areas now being a reality, tourist hotspots within the country that had hitherto held an uncertainty factor are now seeing a resurgence of visitors. The national parks of Yala, Udawalawe, Kumana and Wasgamuwa, all rich in bio diversity and home to a number of endemic species of flora and fauna and wildlife, one of the most popular global destinations for whale watching; Mirissa, the surfers' paradise of Weligama and culture, nature and adventure sites are all hosting an influx of both domestic and foreign tourists. Given our centric location to most tourist attractions, we have had an impressive growth in the Property's excursion and diversion revenues in the past few years, with income growing by 11% to stand at Rs. 12.3 Mn, compared to Rs 11.1 Mn last year.

As mentioned, wedding revenues did fall short of budget, but it is a paradigm experienced by nearly all resort properties in the country due to the stringent diktats applicable to foreigners being wedded in Sri Lanka. Given the country's past promotional campaigns to position it as a wedding destination, this sudden change in regulation does not sit well and needs to be re-looked at so the industry can capitalise on this very lucrative segment of business.

Being a symbol of luxury among resorts in the Indian sub-continent, Fortress Resort & Spa intends to retain that lofty crown by continuing to innovate and invest in our property. This year, Rs. 47 Mn was infused to enhance guest facilities, reflecting our unwavering commitment to give guests the ultimate luxurious experience of elegance entwined with excellence. Next year will see us continue upgrading our rooms, focusing on the interiors which would require an investment of Rs. 60 Mn, while Rs. 50 Mn in addition has been budgeted for repair and maintenance.

Our innovative Room Care Program has been very effective, especially in off peak periods, ensuring that all rooms retain their luxurious elements with no compromise to quality. Refurbishing therefore is a continuous practice, where all interiors are continually inspected, freshened and quality checked to ensure it retains the quintessence of luxury, the hallmark of the Fortress Resort & Spa rooms.

Given our passion for excellence, we launched the indulgent dining concept of Tepanyaki, the popular Japanese cuisine that uses an iron griddle for cooking. This show-styled dining concept enables diners to enjoy an interactive experience with their food, a concept that is now available at our newly launched New Heat Restaurant and open to both in-house and external guests.

# Management Discussion & Analysis Contd.

Ours is a property constructed on a strong ethos of service beyond excellence and hence, our customer centric focus continues to be about raising the bar in service excellence. One of our most unique initiatives is our butler service, a dynamic very rarely available at resorts but one that certainly gives us a competitive edge. A collective of highly trained butlers, who continually undergo refresher programmes, (one such was conducted this year by the Australian Butler Academy) ensures that each guest is indulged unconditionally and in the lap of luxury.

## Infusing Strategies for Progress

We remain firmly entrenched in the tenets of the Balanced Scorecard methodology, which identifies opportunities for improved performance, using continuous feedback on key business processes and external outcomes as the blueprint for mapping our strategic outlook. The Balanced Scorecard focuses not only on quantitative elements gleaned from lessons past, but also on processes, customers and human resources for the building of a holistic organisation. The table below is a synopsis of the strategic pathway we are charting based on the Balanced Scorecard, based on the four pronged strategy of financial, internal business, customer and learning and growth.

and acclaimed image, a solid financial reputation, a large influx of repeat customers and a dynamic team are all strengths that we can continue to build on. However, we did gauge weaknesses that need to be focused on including staff turnover which is ubiquitous to this industry, lack of resources to push the 3R concept further, a dire need to reduce our carbon footprint and lack of global certifications to add more emphasis to our green philosophy. We also need to use social media more effectively given the advantages it can accrue to our future plans.

We observe competition both regionally and locally intensifying in the next few years, which is a considerable threat and one that needs to push us to ensure that our product is maintained at optimum level. This competition will also place increased pressure on team retention, while escalating cost of resources too are looming threats we have to contend with. However, there are opportunities that abound. Whether it is a resilient Sri Lankan economy, conducive macro economic factors, the global economy showing signs of resurgence, new markets emerging and therefore positing nascent potential and the Government being ultra supportive of the industry, adding incentives and initiatives that would drive the industry forward.

Financial Perspective	Internal Business Perspective	Customer Perspective	Learning & Growth Perspective
▪ Increase Revenue	▪ Improve Employee Productivity	▪ Grow global reach	▪ Enhance Skills & Talents
▪ Trim Cost Structure	▪ Strengthen Performance based Recognition and Reward System	▪ Increase Market share	▪ Improve the Learning Culture
▪ Mitigate the Cost of Funds	▪ Greater prominence in Web Marketing	▪ Ensure Customer Satisfaction	▪ Grow Human Capital
▪ Enhance Profitability	▪ Enhance Sustainable Measures	▪ Grow Brand Image	
▪ Strengthen Balance sheet	▪ Compliance to best Corporate Governance practices		
▪ Create Shareholder Value			

To place these elements into a realistic charter that would enable us to meet our goals, while overcoming challenges and exploiting opportunities, an internal business analysis gave us an astute perspective of our positives and negatives. Having a strong brand

Having taken this analysis into account, management strategized short to medium term goals designed to retain and strengthen our existing customer base and team, while introducing prudent cost management initiatives and minimizing waste wherever possible.

In the longer term, we will seek to expand operations by venturing into new markets, while seeking alternative methods to reduce cost. We will also be pursuing a more focused move towards renewable resources, being emphatic on reducing our carbon footprint and setting the benchmark for a green consciousness.

### **The New Brand of Excellence**

With Sri Lanka setting an ambitious goal to triple tourism revenue to US \$3Bn by 2016 by meeting its target of 2.5 million higher end tourists, it is time for Fortress Resort & Spa to move upwards and outwards. We foresee competition but it is not a challenge we cannot overcome. We have numerous strengths we can continue to build on, especially our unique property, innovative product and service offerings and extraordinary team.

However, we must remember that tomorrow's traveler will be even more demanding and discerning, desiring unique experiences in global destinations intertwined with local flavours. We do know that we are extremely capable of continuing to indulge our guests with our own brand of hospitality, being able to exceed their expectations from a global standpoint. Being a property that prides itself on its uniqueness, we will continue thinking out of the box, exploring new avenues to delight our customers and going the extra mile in customer service excellence. Raising the bar continually and benchmarking ourselves against the best in the global tourism industry would be the astute steps we take in ensuring that our property retains its global standards, while infusing local flavour. Investing in our brand, our assets and our resources to enhance their value so that Fortress Resort & Spa will be the preferred brand regionally and eventually globally is the path we intend to take.







“Doubt thou the stars are fire,  
Doubt that the sun doth move,  
Doubt truth to be a liar,  
But never doubt I love.”

A touch of Heaven in Eden,  
from our specialized ‘on deck  
dining’ to the divine setting of  
our Infinity Pool, experience true  
elegance and excellence as your  
dreams shape into reality.



# Sustainability Report

People, Profit, Planet is the triad that remains at the helm of the Fortress Resort & Spa's sustainability ethos. It is a triad that holds aloft everything we denote, the fact that it is people who make our business a success, that profitability is absolutely necessary to ensure that our business remains a going concern and that our planet is the foundation upon which we build our business. This hence prompts a responsibility within us to ensure our sustainability. It is these three elements that form the axis to the continuance of our people, our business and our earth we live in. We remain an integral facet of that cycle of survival and its continuance and the business we are in must be responsible to maintain that cycle. Just as much as we use resources for economic benefit, we must in turn, plough back resources to ensure that a sustainable milieu will be assured for future generations to live, thrive and enjoy.

We are committed to ensuring continued sustainability of life by proactively preserving, conserving and creating awareness among our stakeholders of the importance of maintaining a planet that will sustain the future. Into this equation, we add our concept of responsible tourism that truly espouses our spirit of elegance entwined with excellence.

This report is a detailed review of the year 2014/15. It gives within these pages, a comprehensive Sustainability Review that highlights our initiatives across the triple bottom line. Strongly believing that transparency and accountability are fundamental premises upon which we have grown our business, we have striven to present all information in this report as comprehensively and precisely as possible so that, you our stakeholders will be clearly appraised of your company's operations, workings and impact of its actions on the varied stakeholder segments.

"We at Fortress Resorts PLC firmly believe in enhancing lifestyles and contributing a positive impact on our stakeholders and the community within which we operate. This is inextricably intertwined with our focus on reducing the impact our business has on the environment and in creating value to all our stakeholders. Aligned with this unwavering focus, our management has vigorously undertaken numerous projects to augment our plans, ensuring that it remains within our Strategic Business Plan. This includes implementing procedures and policies that will take us closer to our vision. And this focus is well entrenched into retaining a firm hold on the fact that we are a benchmarked leader in the hospitality industry and hence, have an unequivocal responsibility to ensure that the brand of tourism we espouse is one of responsibility, ethics, principles and most of all, green consciousness."

**Dhammika Perera**  
*Chairman*

"Supporting initiatives taken by our nation to adhere to sustainable environmental policies including 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, we continue to develop and improve the relationships we have with our stakeholders and the environment to stamp a superior brand of responsible tourism.

Operationally we continue raising the bar of excellence, while continuing to forge and nurture the relationships we have with our stakeholders. We remain cognizant of the responsibility we have towards our shareholders, building a company that will ensure a





commendable rate of return on investment; towards our team who we intend to develop continually to be a winning one; towards making our property one of the best in this region with innovative products presented by service standards beyond par; towards making our communities one of us by bringing them into a partnership that enables us to look beyond ourselves and into a macro vista of developing the economy, industry and the nation; and towards ensuring that the resources we use from our planet are used efficiently and responsibly, where our decisions will always impact the environment, positively.”

**Sumith Adhihetty**  
*Managing Director*

## Report Content

In a process begun last year, this is Fortress Resort & Spa's second Sustainability Report prepared in accordance to the Global Reporting Initiative (GRI) standards. We have striven to reflect our commitment towards sustainability and the initiatives we have instituted to ensure that we continue to practice our brand of unique excellence without compromising our stand on responsible tourism. This report provides information on the Resort's sustainability performance for the period ending 31st March 2015.

## 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 Fortresse (Private) Limited”, being the legal entities for which the Company is accountable for and over which the Company has direct control.

## Our Approach

Our philosophy pushes boundaries in enhancing lifestyles and impacting positively on our stakeholders and the community within which we operate. This is firmly entrenched into our doctrine of minimising our impact on the environment, creating holistic value to our stakeholders. Working on a top-down approach where the sustainability concept is driven by top management and cascaded to our entire team and valued business partners where applicable, we work very hard in creating the apt milieu for our stakeholders to thrive in and be aware of each of our responsibilities in creating and generating a sustainable business.

## 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 2015 comprise of the Company and its subsidiary (together referred to as “the Group”). The Company has invested in its wholly owned subsidiary Company “La Fortresse (Private) Limited”.



# Sustainability Report Contd.

## Awards, Standards, Ratings

Our unique brand of excellence has been triumphant and been proven unequivocally with the surfeit of accolades we have been bestowed with. These accolades, collated over the years are all testament to the culture of continuous improvement that we espouse within the Resort. We have thus been certified and accredited by numerous international standards and accrediting institutions, germane to both business and the hospitality industry, enabling us to critically look inwards using the tools therein to bridge gaps and strengthen weaknesses. This adds to our sustainability initiatives, as we operate in a milieu of best practices, standards excellence and benchmarked dynamics.

Given below are the accolades we were awarded with this year and the international certifications and standards we adhere to. Of these, one of our most rewarding achievements was the award by Trip Advisor, presenting us with the Top Hotels for Exceptional Service Award in recognition of our exceptionally cost effective marketing efforts.

Award Name	Received for	Award valid for	International / Local
Trip Advisor Travellers' Choice -	Top Hotels for Romance – Sri Lanka	2015	International
Trip Advisor Travellers' Choice -	Top Hotels for Exceptional Service – Sri Lanka	2015	International
Crowns for Food Hygiene	Food Hygiene	02 June 2015	Local

## Industry Contributions

Being a leader in the hospitality industry, we believe it's extremely imperative that we share and disseminate the knowledge and experience we have within, for the betterment of the industry. We have gained membership in various industry and corporate forums and bodies, lending our voice under a single umbrella to identify

challenges, resolve issues and work on identifiable change and development for the industry through these entities.

Fortress Resort & Spa continues to engage the industry through various organisations with membership in the following:

- 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

An integral facet of the sustainability process, we believe our stakeholders have and continue to be the backbone upon which we have constructed a solid and sustainable business. The dialogue we continually prompt and encourage with each stakeholder segment enables us to construct a solid foundation for our business strategy and the impacts that strategy will have on our business. This also focuses emphatically on our environmental strategy, in addition to the economic and social dynamics, as the focus on our triple bottom line remains the overarching attributes in running a sustainable business.



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

	Stakeholder	Importance	Engagement	Frequency	Topics
Keep Satisfied	Customers	Being main contributors to revenue generation and long term viability of our business, we maintain a continuous dialogue with our guests to ensure optimization of customer satisfaction	Foreign Trade Fairs Guest Reviews (Trip Advisor) Company Website Social Media Guest Comment Cards Advertising and Promotions	Regularly	Customer satisfaction Complaints Payment reminders Awareness on new products
	Employees	Our team remains our greatest asset; we espouse a culture that fosters their growth aligned with our business vision and goals	Investment in Training & Development Employee Recognition and Rewards Performance Evaluation Internal Communication, i.e. Meetings, Circulars	Regularly	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	CSR Programmes, i.e. Community Related Activities Sponsorships Arts & Cultural Activities Educational Programmes	Regularly	Opportunities to supply produce for the resort Opportunities to supply services Career opportunities
	Business Partners	Local and international tour operators facilitate business, which encourages us to foster strong relationships with these groups	Foreign Trade Fairs Reviews Company Website Social Media Advertising and Promotions	Regularly	Customer satisfaction Complaints Payment reminders Awareness on new products
Key Player	Shareholders	Pivotal to the sustainability of the Company, we engage in strong dialogue with our shareholders, communicating regularly with them to keep them abreast of operations, decisions, events and performance	Annual Report Annual General Meeting Quarterly Statements Financial disclosures to the CSE Market Reports Press Releases	Annually Bi-annually/ Quarterly As and when needed	Operations & Sustainability Performance Profitability/ Dividends Future plans

# Sustainability Report Contd.

	Stakeholder	Importance	Engagement	Frequency	Topics
Keep Informed	Legal and Regulatory Bodies	With the aim of good governance and prudence, we comply stringently to the regulatory frameworks instituted periodically	Holding membership and participation at meetings and discussions held by regulatory and authority bodies including Inland Revenue Department, Securities & Exchange Commission and Colombo Stock Exchange,  Ceylon Chamber of Commerce  Employers' Federation of Ceylon  Tourist Hotels Association of Sri Lanka  Sri Lanka Tourist Development Authority Periodic Disclosure	As and when needed	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	Discussions Periodic disclosure	As and when needed	Taxation
Minimum Effort	General/ Public and Media	These groups exert an influence, which is often underestimated. We engage and disseminate information to the public and media in order to maintain and enhance our image and reputation	CSR Programmes, i.e. Community Related Activities Media Conferences Networking Social Media Periodic Disclosures	As and when needed	Performance of the Company Future plans Community needs

In an industry that's constantly evolutionary, it is imperative that we remain cognizant to not only changing paradigms in the immediate milieu and industry around us, but maintain an emphatic focus on the trends prevalent globally. Given that tourism is an industry that works on people's perceptions, aspirations, economic status and the impact that global circumstances have on the psyche of travellers, we can optimise on opportunities and strengthen our weaknesses while nurturing our strengths, only if we maintain a keen focus on everything

around us. However, this focus remains within the framework of the triple bottom line context under which, our periodic SWOT analysis also identifies the key challenges, risks and opportunities that arise for us in the short, medium and long term, depicted in the table below:

Indicator	Challenge	Opportunity	Risk
Economic	<ul style="list-style-type: none"> <li>▪ Lingering recession in Europe</li> <li>▪ The slow pace of infrastructure development not meeting industry demand.</li> <li>▪ Inflation experienced due to depreciation of LKR against US dollar.</li> <li>▪ Regional and short haul travel becoming popular.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Growth in international tourist arrivals.</li> <li>▪ Improved business culture in Sri Lanka.</li> <li>▪ Concentration on niche markets which are more lucrative</li> </ul>	<ul style="list-style-type: none"> <li>▪ Persistent economic recession in Europe can hinder expected growth in tourism.</li> <li>▪ Increase in cost structure due to inflation and the change in market dynamics.</li> </ul>
Environmental	<ul style="list-style-type: none"> <li>▪ Striking a balance between business profitability growth and sustainable growth.</li> <li>▪ Consumers seeking more green tourism initiatives.</li> <li>▪ Travelers looking for more meaningful experiences.</li> <li>▪ Increased industry benchmarks on green products.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Improve and extending the product content and supply chains that are aligned with sustainable tourism</li> <li>▪ Diversify product portfolio to capitalise on Sri Lanka's rich bio diversity.</li> <li>▪ Obtain accreditation from global tourism industry certification bodies for sustainable management and growth, eg: Green Globe.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Damage to marine and terrestrial wildlife habitats and wildlife due to over-visitation.</li> <li>▪ Shoreline erosion resulting from excessive usage of boats.</li> <li>▪ Unsustainable use of local natural resources for construction of tourism facilities.</li> </ul>
Social	<ul style="list-style-type: none"> <li>▪ Lack of skilled personnel due to competition.</li> <li>▪ General tendency in Sri Lanka viewing tourism and related activities as having solely negative impacts on society.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Rural community participation through projects aimed at developing livelihood of rural community.</li> <li>▪ Create opportunity for rural community to engage in tourist related activities to enhance their earning capacity.</li> <li>▪ Provide formal training to the rural community and encourage them to join the industry by opening job opportunities for them.</li> <li>▪ Promote responsible tourism.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Negative impact on cultural norms due to increased numbers of tourists being unaware and/or insensitive to local customs, conventions and traditions.</li> <li>▪ Increased influx of tourists may trigger potential threats to local communities et: STDs and drugs.</li> </ul>

# Sustainability Report Contd.

## Economic Impact

Being a corporate steward and a beacon for the burgeoning hospitality industry in Sri Lanka, since our inception, we have always maintained a conscious focus on our bottom line. While being emphatic on the triple bottom line is important to us, we also realise and acknowledge that our business must be economically sustainable if the social and environmental features are going to be impacted positively. With this stance, we have continued to focus on optimising our financial performance, being astute in our cost management, compliant in our governance and accountability perspective and savvy with our business strategy. This undiluted focus on ensuring the company being a going concern has seen The Fortress Resort & Spa build a strong and stable financial foundation that has been consistent in its growth.

Our contribution to the economy therefore has been significant, not only quantitatively but also in terms of value addition, creating wealth for our stakeholders across the board.

We contributed Rs. 295 million, which is a 5% growth compared to the previous year's value addition of Rs. 282 million for the financial year 14/15.

## The value addition was distributed as follows:

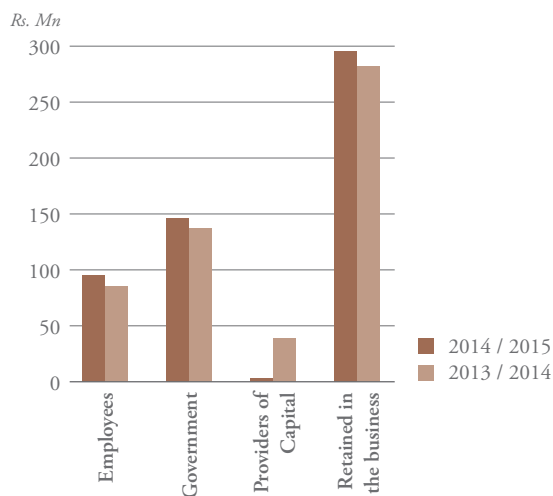
Distribution	2015 (Rs. '000)	2014 (Rs. '000)	2013 (Rs. '000)
Employees	95,434	84,264	80,822
Government	146,201	137,027	102,920
Providers of Capital	2,795	39,244	51,907
Retained for future expansion & growth	295,413	281,870	111,043

## Direct & Indirect Taxes Paid to Government

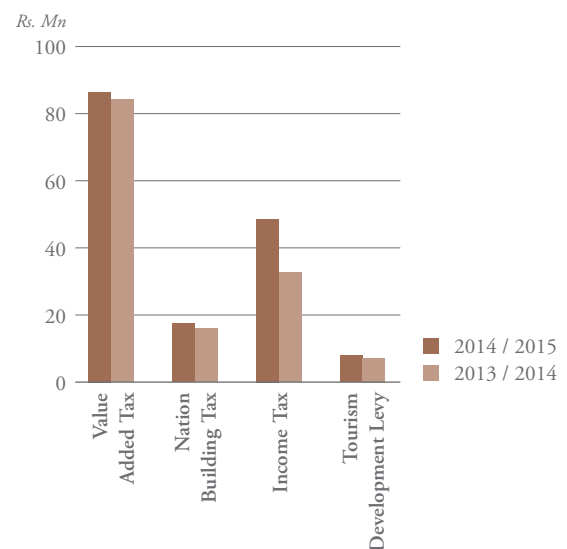
Tax Description	2014 / 2015 (Rs. '000)	2013 / 2014 (Rs. '000)
Value Added Tax (VAT)	79,070	76,739
Nation Building Tax (NBT)	15,734	14,861
Income Tax (IT)	44,235	30,107
Tourism Development Levy (TDL)	7,162	6,802

As is observed from the table above:

Value Addition



Tax Payments





- VAT payments increased by Rs. 2,331,000, for the current year by 3 % compared to the previous year.
- NBT payments increased by Rs. 873,000 , showcasing an increase of 6% compared to the previous year.
- Income tax payments by the Group also inclined by Rs. 14,128,000, which is a growth of a significant 47% seen over the last year.
- TDL payments increased by 5%, which is Rs. 360,000.

We have also focused significantly on the FRP Internship Programme, which is a value creator for the larger community, empowering youth to develop innate skills and latent competencies to gain a foothold in a lucrative employment avenue. Not only does the programme equip the youth with vital tools to better themselves in their chosen career in the hospitality industry, it also enables them to build their confidence and self esteem, using these for an added competitive edge in pursuing ambitious career aspirations.

Partnering the Sri Lanka Institute of Tourism & Hotel Management (SLITHM) and National Apprentice Board (NAB) to provide its students internships at our property as part of the curriculum, this year we trained a total of thirteen young people from SLITHM and NAB on a full time basis, one group for six months and the other for three years. To us, this is a sustainable knowledge gaining avenue that will have permeating positive impact on not only these youth, but also the larger community, given that fulfilling employment will translate into quantifiable benefits for the betterment of society at large. We have augmented our role in empowering our youth by offering contractual employment within our Resort, on successful completion of their training.

## **Governance & Risk Management**

The rules and regulations imposed on The Fortress Resorts PLC and its level of compliance is stated in the Corporate Governance Report found in this Annual Report. But it is pertinent to mention that we strictly adhere to all relevant standards, regulations and legal requirements, voluntary as well as mandatory as stipulated by the Government of Sri Lanka, the industry and other regulatory bodies.

Our governance structure also works on a culture of absolute compliance. We emphatically abide by all guidelines issued by the Institute of Chartered Accountants of Sri Lanka, Securities &

Exchange Commission and the Listing Rules of the Colombo Stock Exchange. Compliance in this regard is discussed in detail under the Corporate Governance section of this report.

Transparency is inherent in the way we conduct our business. Taxes, duties and levies payable by us, as well as all contributions, levies and taxes payable on behalf of and in respect of our employees 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, no penalties or monetary reprimands imposed on us, as a result of any breaches of rules and regulations.

We follow a zero tolerance policy on bribery and corruption, striving to be fair, just, ethical and legal in all our activities, while pursuing the best business practice.

## **Investors Given Impetus**

Our investors remain integral to our sustainable and consistent success. We realise our unwavering responsibility in ensuring that we are accountable to them and must display transparency and sincerity of action at all times.

Communicating timely information is vital in the engagement we have with our investors. All financial and non-financial information is delivered timely and comprehensively. Quarterly financial information is submitted to the SEC. Any investor requests are personally attended to without delay.

The Annual General Meeting is held as required by the Companies Act and all investors and shareholders are presented with the relevant and timely information to make informed decisions as stipulated in the Companies Act No 07 of 2007.

# Sustainability Report Contd.

## Making our Guests Feel Special

It is an imperative in our corporate philosophy that our guests must and will always be the primary reason for our existence. Whatever decisions we make, the impact we have and the way we operate, is ultimately to delight our guest, exceed their expectations and deliver a superior product and excellent service.

Headed by the Director/General Manager whose over 35 years of experience in managing hotels and in web marketing equips him with the apt knowledge to drive the marketing process, gives us the impetus to initiate new marketing and promotional features, enhancing our competitive edge with our guests.

Giving our guests comprehensive information via promotional and marketing campaigns as well as exhibitions and trade fairs on the destination and our product and service offerings is an important facet in our marketing focus. This means having our brand and property in the spotlight.

We took our first step into Chinese market this year participating in ILTM Asia in June 2014. China has taken over the top spot as global travellers, enjoying Asia's largest economy status with a growth rate of more than 8% during the last decade. In February, China replaced UK as the second biggest source of tourists, after India with an 85.6% year on year growth, outpacing the 11.6% rise in overall tourist numbers. By March 2015, tourist arrivals from China jumped 81.5% compared to March last year. With that, tourists from China spiraled upwards by 84.5%, drubbing all other nationalities as the most widely traveled tourist destination the world over.

The surge in Chinese tourists is particularly extraordinary given that it was just 54,288 in 2013. By the end of 2014, that number inclined more than 136% to 128,166, according to SLTDA, which is hoping to leverage Chinese tourists in the bid to attract 2.5 million visitors by 2016, compared with 1.5 million in 2014. With an estimated 174 million Chinese tourists tipped to spend US\$ 264 billion by 2019, Sri Lanka has been quick to spot the emerging opportunity and we are indeed glad that Fortress Resort & Spa is able to capitalise on that opportunity.

Tourism plays a major role in Sri Lanka's US\$67 billion economy, directly generating revenue of US\$ 1.7 Bn. In the total value chain, it is a US\$ 6 to 7 Bn industry and the number one foreign exchange earner.

We were also most excited to be a part of the Kuoni Holiday Experience Fair held in August, working purely on enhancing our branding for the Swiss market. The endeavour proved fruitful with positive feedback emerging from Swiss Operators which we intend to develop in the next year. We also took part in ILTM Cannes 2014 in December to initiate our presence in the French market and in WTM 2014 and ITB 2015 to augment our presence for the German and UK markets.

One of our significant marketing initiatives this year was the introduction of a high-end all inclusive package for the UK and German markets and for our web guests. The main objective of this campaign is to increase F&B revenue, keeping guests within the property for their meals and recreation. All major operators in the



UK and Germany have already signed up the all inclusive contracts. Online operators have given us good response as well. By end March 2015, we materialised 17 all inclusive bookings with 109 room nights, which is a 2.6 % of total room nights sold in the Resort from January to March 2015.

2.6% room nights for the first three months of 2015 is a promising figure and if we can achieve a 15% to 20% rate for this all-inclusive package from the total room nights sold, our F&B budgets can be easily achieved for next year.

The table below Illustrates additional revenue streams generated by All-Inclusive guests via F&B:

<b>AI Room Nights 109</b>	<b>Food Revenue (Rs.)</b>	<b>Beverage Revenue (Rs.)</b>	<b>Total F &amp; B revenue per room (Rs.)</b>
January 15	300,072	223,072	523,144
February 15	241,531	201,635	443,166
March 15	595,373	419,686	1,015,059
Per room night F & B Revenue Jan to March On AI basis			18,178/=
<b>BB,HB,FB room nights 4120</b>			
January 15	16,999,192	7,004,319	24,003,511
February 15	16,684,314	7,202,330	23,886,644
March 15	14,835,501	7,320,881	22,156,382
Per room night F & B Revenue Jan to March on BB,HB,FB basis			16,563/=

3 months average F&B revenue per occupied room night was Rs. 16,563 on BB, HB, and FB basis.

3 months average F&B revenue per occupied room night was Rs. 18,178 on AI basis.

## Product Responsibility

Taking absolute responsibility for our product, we use customer feedback as the barometer to continually raise the bar in our offerings. Our advertising and marketing campaigns have an ingrained fundamental of always adhering to the truth. We do not condone any false or misleading communication campaigns and do not promise what we cannot deliver.

Using guest comment cards as well as electronic feedback, we collate the information gathered, process and analyse it to be used for furthering our Property. Acknowledgments are sent to the guest/respondent, while any issues arising are addressed immediately by way of discussions with the relevant parties concerned and prompt corrective action initiated.

## Enhancing Relationships with our Valued Business Partners

Our suppliers, big and small remain inextricably intertwined to our success. It is their supplies of products and services and value additions that enable us to maintain our levels of excellence that to date are best in class.

Emphatic on retaining our business partners on long term partnerships rather than adhoc or impermanent relationships, our initial relationship building efforts are based on a transparent evaluation process, ensuring that our partners adhere to the ethos of our business strategy and the guidelines and standards required of a property of this stature. The evaluation process is implemented by the Purchasing Committee headed by the Director/General Manager with a team comprising the Financial Controller, Line Head of the Department and Purchasing Officer.

Requests by suppliers who require capital expenditure must be approved at Board level post submission of the proposal by the Financial Controller, Director/General Manager and the Managing Director to the Board of Directors.

Any price revisions must be approved and agreed upon prior, by the Purchasing Committee.

# Sustainability Report Contd.

The criteria applied in selecting our suppliers is a multi-stepped process, stringently followed to ensure absolute compliance, accountability and transparency.

- Quality of the products
- Economic benefits to the entity
- The continuous supply of goods/services and any guarantee of the same
- Supplier's reliability and dependability
- Supplier's presence in the industry
- Supplier's financial background
- Supplier's terms/conditions whether agreeable or further negotiate
- Credit period offered by the Supplier

On the converse, just as we have high expectations of our valued business partners, we too maintain standards that we strictly adhere to, to ensure that our relationships are formed on trust and commitment. While we do negotiate the maximum amount of credit from our suppliers which would enable us to stretch our budgets more prudently, our non-compromising payment policy is that all suppliers get their due payments on the date stipulated.

## Going Green - Our Environmental Impact

Operating within an industry that breathes, lives and sustains itself on the natural beauty, resources and environment around us, means that we have an acute responsibility to ensure that the advantages we gain from these natural dynamics must be improved, developed and sustained for the future use of the planet. The impact of our business decisions must have positive outcomes on the environment and we ourselves, must look beyond our immediate environment and into the macro picture in conceptualising and nurturing a business ethic that will reduce our carbon footprint. This can be done only if we take our responsibility to the environment beyond the rhetoric and institute action, benchmarking ourselves against best practices and international standards that will give us the credence to engage better with the environment and thus, set benchmarks for the industry for sustainable environmental management.

## Environmental Vision

To become a benchmarked leader in environmental sustainability for the tourism industry in Sri Lanka, while also striving to become a corporate steward in sustainable eco-practices in the region.

With our property continuously seeking avenues to effectively manage and reduce emissions and mitigate our carbon footprint, a number of initiatives have been instituted this year, in addition to our ongoing projects already implemented in past years. However, we do believe strongly that our efforts must be a collective one, where the buy-in to our environmental best practices must be cascaded through our entire teams. It is an ideology that is instilled in our team mindset, pushing them also to take ownership of the environmental initiatives, emphatic about minimising our carbon footprint.

We strive to inculcate this philosophy throughout our property, creating awareness among our stakeholders, including guests and valued business partners. Our guests for example are encouraged to actively participate in our efforts, while awareness initiatives including prominently placed environmental notices to reduce energy and water consumption communicate the crucial message of preservation and conservation.

The growing perception of eco-tourism has given rise to a new group of discerning global travelers seeking the quintessence of an eco-friendly destination. This means our customers need to continually fulfill their desire for more eco-friendly products that promote a 'feel good' factor. One of our biggest advantages in our environmental pursuits is that our property has always 'walked the talk' in eco-tourism, implementing initiatives long before the phase of eco-tourism became fashionable and imperative to the country's tourism industry. Going green has always been a fundamental to us and remained indelibly enshrined into our core values.

Being cognizant of the rapid depletion of renewable energy sources including fossil fuels, we remain very focused on responsibly managing those resources and adhering to the numerous laws and regulations that have become imperative in ensuring the world manages these resources as well.

With this focus and our green culture permeating across our entire property, it is pertinent to note that our property stringently adheres to and complies with environmental diktats. We have never been fined or levied any monetary or non-monetary sanctions for non-compliance of environmental laws and regulations in Sri Lanka.



### Waste Management

The two pronged approach we employ in waste management works on solid waste being subjected to the 3R principle and our team encouraged to be prudent in managing our waste, without hindering the quality of service.

Solid waste is sorted meticulously with plastic and glass sent for external recycling, while wet waste, which is primarily food waste being channeled to a local farm as animal feed. The balance food waste is used for composting through daily disposal and converted to carbonic fertilizer for agriculture and farming purposes. Both processes have been outsourced to an external contractor within the community and been highly successful given the dual benefits that have ensued, not only in promoting ethical waste disposal but also in supporting our local community engagement initiatives. Additionally, this project has generated employment opportunities for individuals within the community.

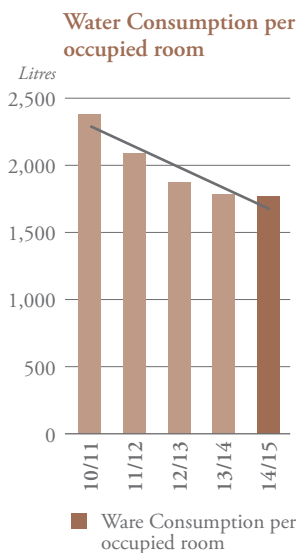
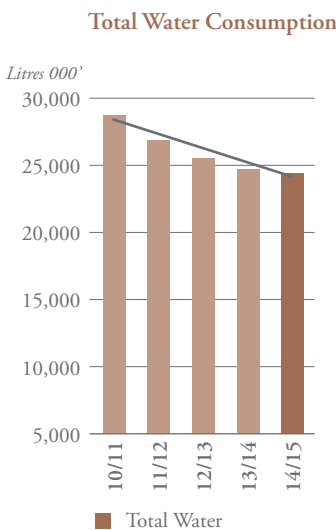
We are engaged in an unusual initiative of giving back more water than we consume. Having implemented a state of the art water treatment system and a sewerage treatment plant, the recycled water gained through the plant is utilised for gardening, which means we do not use any new water sources for these purposes. This has also resulted in reducing our reliance on the city's water consumption, as well as significantly limiting wastage and consumption of water

resources. During the year under review, the resort utilized 350,000 liters 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

We have made a conscious effort to eliminate unnecessary water usage, managing water wastage more astutely. All public washrooms have been equipped with motion sensors, while all key areas have had independent water meters installed, enabling us to monitor water usage in each area. Any irregularities are investigated and prompt action initiated to rectify weaknesses, gaps and leakages.

Year	Total water 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
2014 / 2015	24,329,000	1,775



# Sustainability Report Contd.

## Energy Consumption

The hospitality industry is one of the highest users of energy due to the nature of the industry and this is a feature we have been extremely focused on, realising that as a corporate steward, it is our obligation to implement initiatives that would reduce energy consumption. We utilise a combination of electrical power, LP gas and Diesel to generate our energy requirements, with electricity being the prominent supplier.

## Electricity

The Resort has an established electricity consumption control measurement system that was implemented four years ago. The process of monitoring electricity consumption daily and reporting the results to top management is driven by the Maintenance Department.

Year	Electricity units (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
2014 / 2015	1,604,901	117

Lighting and cooling systems account for over 70% of the total electrical units consumed, underpinning the importance of

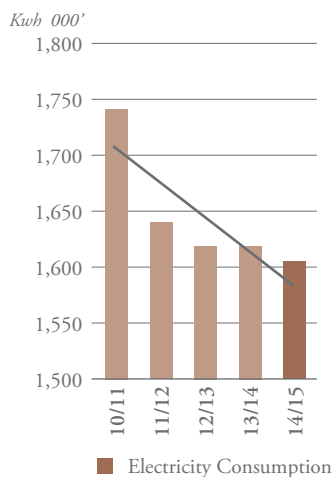
managing usage. We have introduced a range of energy efficient solutions, as detailed below, to manage and control our electricity parameters. We have made a concerted effort to increase awareness and educate our team on the importance of adhering to energy efficient practices habitually.

- 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.
- Installation of energy efficient LED lighting solutions, which has triggered a notable reduction in the units consumed, compared to the demands of the high energy consuming incandescent bulbs.

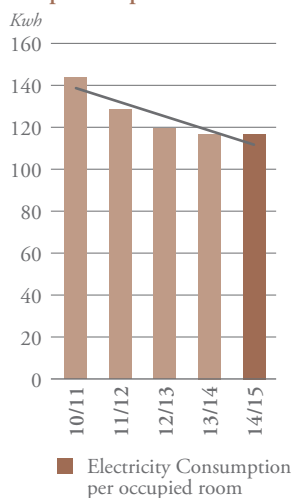
## Diesel

Year	Total Diesel consumption (litres)	Consumption per occupied room (litres)
2010 / 2011	126,850	11
2011 / 2012	124,391	10
2012 / 2013	122,541	09
2013 / 2014	120,612	08
2014 / 2015	116,206	08

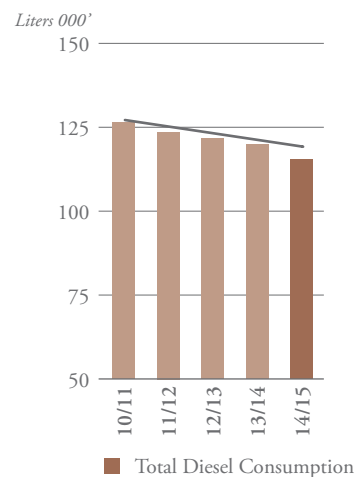
Electricity Consumption



Electricity Consumption per occupied room

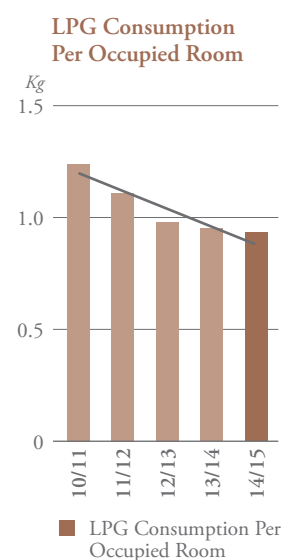
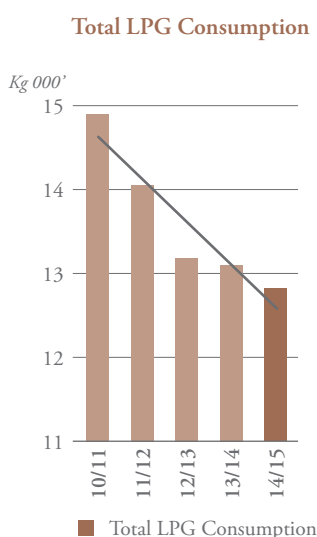
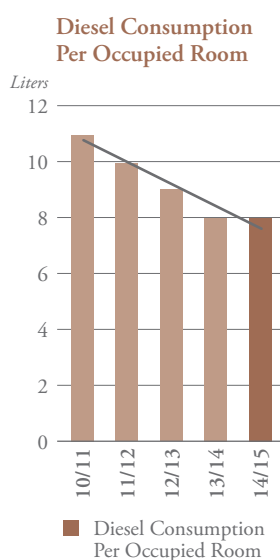


Total Diesel Consumption



One of our greatest achievements in minimising our carbon footprint this year in the energy consumption sphere was the investment made in solar power. Tangible results have been observed given that the steam requirement for our laundry, which was supplied by a diesel fired boiler with a considerable consumption of diesel, has now been replaced. The investment of Rs. 2.8 Mn in November 2014 on 24 solar panels to fulfill this requirement has seen a notable reduction in usage of about 4,280 litres of diesel compare to the previous year. Translated quantifiably too, this makes economic sense and a valuable contribution to our bottom line as the Resort saved Rs. 0.4 Mn which we expect to double next year.

Month	Diesel Consumption 14/15 (litres)	Diesel Consumption 13/14 (litres)
November	9,315	9,392
December	8,929	10,850
January	9,094	10,417
February	9,318	9,147
March	8,824	9,954
<b>Total consumption for 5 months</b>	<b>45,480</b>	<b>49,760</b>



## LP Gas

Year	Total LP Gas 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
2014 / 2015	12,819	0.93

Used predominantly in the kitchens, we have over the years made significant efforts to reduce consumption of LP Gas and reduce wastage, by introducing newer technology and investing in energy friendly new equipment. The results observed post the installation of the new kitchen equipment which is geared to minimise the usage of LP gas through a more efficient heating process, has been noteworthy.

## Organic Garden

One of our most exciting green initiatives this year, Fortress Resort & Spa now has its own organic garden, having invested in approximately one acre of land from the BOI. The agricultural

# Sustainability Report Contd.

groundwork has now been completed with pilot samplings already planted. The fruition of this garden will be seen next year. The investment of approximately Rs. 790,000 on this initiative is aimed at firstly serving healthy organic fare to our guests, secondly making our stakeholders aware of the importance of organic fruit and vegetables for a healthy life and thirdly, in making this garden a role model to be emulated by showcasing it as a model organic garden to our inhouse guests.

## Going Green in the Next Year

We intend investing much more acutely in our green initiatives in the coming year, improving and developing our organic garden further and using the compost generated through hotel waste for this organic garden. Our focus on solar energy will also gain momentum as we intend to build on the project we already have in order to reduce the consumption of diesel and electricity as our primary power sources.

We will also be pursuing our green goals by working towards gaining certifications and accreditation for our green philosophy, a process we realise is challenging and certainly not easy, but which we feel is mandatory in the greater scheme of things if we are to improve the stakes of our green objectives and move ahead.

## When People Matter – Our Social Impact

### A Team That Makes History

That's the Team we have! A winning Team that is unafraid to push boundaries, believes in always setting benchmarks, enjoys being pioneers and most of all, have the empathy and caring nature to make our brand of customer service among the best in the tourism industry in Sri Lanka. From our end, we acknowledge strongly that our Team is the lifeline of our business and is surely our greatest asset. They steer us towards our ambitious service ethos of 'service par excellence', leaving no hurdle unchallenged and no opportunity unexploited.

This is what makes Fortress Resort & Spa unique, differentiating us from our competitors and positioning us as a leader in the industry, renowned as a trendsetter. Our team is about innovation, pioneering paths and enjoying placing our property well above our competitors locally, regionally and globally.

This commitment, dynamism and absolute motivation has made Fortress Resort & Spa a preferred employer in the country's hospitality industry, keeping our attrition rates well below industry

standards. In fact, staff turnover in the last five years has been exceptionally low, retained at less than 5%, which is commendable given that high attrition is symptomatic within the industry.

Basing our recruitment policy on the overall ethos of creating and nurturing a team that reflects ultimate team spirit in ensuring that our uniqueness is always paramount and that service is at the helm of our business, we implement a rather revolutionary recruitment policy based on, 'Recruit for talent and train for skill'. Believing strongly that talent is inherent and skill can be developed in the apt knowledge garnering milieu, training and development through various aspects are key to retaining this winning team.

Our policy is further augmented with strong ethics, principles and governance tenets which form the bedrock upon which our team is built upon. We work on a strong policy of meritocracy and equality, believing that the apt talent in the right place will always optimise Company goals and individual career aspirations.

We eschew child labour or exploitation of children for labour in any form, adhering to strictly to all diktats laid down by germane local and international organisation. This is doubly valid in our industry as the incidences of children being used to gain economic benefits by families and communities living adjacent to resort properties has been highlighted and a concerted campaign to halt such exploitation is very much in our focus. Our stringent policies also extend to not working with or having any relationship with any business partner or other stakeholder who does not adhere to any of these principles and regulations.

We practice no discrimination of any sort, either by way of gender, age, religion, culture or social or economic background.

We believe in ensuring a good work/life balance, in giving our team an environment in which they can thrive, optimising on their knowledge and maximising on their skills. We create the support trusses to enable them to give of their best, providing accommodation, meals, free medical consultation and medical insurance. The latter is extended to members of the permanent team including family coverage for supervisory level team members and above.

In fact our remuneration remains well above average industry norms, with the service charge too being well above the general threshold paid by other resort properties.



### Average Earnings Per Permanent Staff Member Per Month

Year	2014/ 2015	2013 / 2014
Average monthly salary per staff member	19,100/-	18,166/-
Average monthly service charge per staff member	27,300/-	26,099/-
Total earnings per staff member per month	46,400/-	44,265/-

### Expenditure Incurred on Staff Medical Insurance

Year	2014/ 2015	2013 / 2014
Amount spent on the policy ( Rs.)	1,935,230/-	2,039,767/-
Number of Staff Members entitled	141	124
Average spend per staff member (Rs.)	13,725/-	16,450/-

During the year, 17 team members were added to the policy, which is reflected in the 14% increase observed in the amount spent on the policy.

### Medical Insurance Benefit Obtained by Staff Members

Year	2014/ 2015	2013 / 2014
Value of the benefit obtained (Rs.)	1,617,026/-	1,325,420/-
Number of staff members obtaining insurance	41	29
Average benefit per staff member (Rs.)	39,440/-	45,704/-

### Customer Survey Analysis

A service industry relies quintessentially on its team to deliver service levels, that invariably must be constantly improved upon. Our brand of hospitality is a sophisticated one, a niche property catering to high-end clientele who are well travelled, demanding and discerning. Maintaining service levels at optimum can be challenging. Our property has nurtured a team that has surely set the benchmark in service excellence, a fact well evidenced in the accolades we have received and more pointedly, the quantitative analysis shown below through our customer survey.

	2014 / 2015	2013 / 2014
Customer Survey Rating	83%	79%

As seen above, service ratings have improved a further 3%, attributed unequivocally to the commitment and efforts imbued by our team. Each service department too has maintained a rating above 80%. This showcases the milieu of service excellence we permeate to our guests. The survey covered the crucial service areas of front of the house, housekeeping, food & beverage, IT, maintenance, laundry and garden.

### Training & Development

Maintaining and developing a winning team means we must nurture and strengthen the inherent talents they possess, while equipping them with skills to face new paradigms, trends and expectations of a constantly evolving industry. Training and development therefore is integral to our growth strategy and enables us to work on that platform of elegance intertwined with excellence, due to our Resort founding a knowledge gaining culture permeating throughout.

Driven by the HR Department, training requirements are identified and customised if relevant to ensure that team members will garner the most and the best knowledge and skill from these programmes. Specialised resource persons are invited to augment our training and development outputs, while a number of external training programmes are also introduced to add extra purview to mindset.

### Internal Training

A Training Manager was recruited during the year to enhance the internal training imparted to the team, working in collaboration with the HR division. Soft skills, technical and other germane areas are given absolute focus and this year, our team was pushed to up their soft skill levels, as part of our service excellence strategy. In building confidence, flair and finesse as tools for superior service, training programmes also worked on greeting, handling of complaints, telephone etiquette and grooming for both operational and non-operational areas.

### Language Skills

It is imperative that in maintaining service excellence, communication is unambiguous, clear, concise and comprehensive. Educating and enhancing literacy and fluency for the front line

# Sustainability Report Contd.

team became the focus, augmented through an agreement signed with The British Council to conduct a special language skill training programme. Billed to begin in May 2015, a total of 2500 English lecture hours will be conducted at an investment of Rs. 2.5 million. Previously, Rs. 146,000 was invested in a similar programme conducted for 146 lecture hours and it is this success, that pushed us to add further investment into this training initiative in the coming year.

## External Training

External training is imperative to ensure our team is able to identify potential opportunities and trends, while maximising on these for optimum results. This will only come naturally if they are equipped with the apt knowledge and skill that will take their purview beyond the norms. In fact, management aims to implement cross training initiatives across the sister properties within the group.

By giving them the opportunities of external training and opening their knowledge horizons to international standards and best practices, we do believe our team will continue being the best. Members of our team gained further exposure through foreign training programmes and familiarisation tours to achieve further results.

A team segment that will gain maximum knowledge and exposure will be our butlers as a result of a coaching agreement signed with the Australian Butler Academy. Billed to begin in June 2015, the investment of Rs. 1.5 Mn initially will undoubtedly see excellent results and as a forerunner to further exposure, refresher training programmes will continue as well.

## Health & Safety Initiatives

Health and safety of the stakeholders who work and conduct business with us remains paramount to us. Having instituted the imperative norms according to guidelines and regulation directives authored by relevant regulatory and authoritative bodies, health and safety on our property is supervised and monitored with no compromise.

Providing a safe working environment for our team is an absolute priority and all breaches to health and safety are worked on a stringent reporting line with solutions and precautions instituted immediately. During the year, there were no major reports of injury to our staff and the Lost Day Rate is negligible.

Our guests too remain integral in our health and safety policy where a safe environment is maintained at all times and team members trained to spot any non-compliant features or breaches to health and safety diktats, speedily implementing solutions with a minimum fuss. We also mitigate eventualities by having a comprehensive insurance coverage throughout the property.

## Assessments and Progression Policy

Rewards and recognition remain high on our agenda of performance incentives. At the end of each financial quarter, team members who are high achievers and have contributed significantly to the overall growth of the Resort are honoured and presented with cash awards and certificates.

The annual evaluation undertakes salary increments and performance based bonuses. Salary scales will remain on par with industry averages as has been the practice thus far. This year, we paid two months salary as an ex-gratia payment for permanent staff and one and half month's salary for those on contract and probation.

Ex Gratia Payment	2014 / 2015 Rs.	2013 / 2014 Rs.
All Staff Members	7,606,241/-	7,202,290/-

## Work/Life Balance

In creating the apt milieu for a winning team, we strongly believe that a conducive, happy and motivating environment must be established to gain the optimum from our team. This means the 'happiness' factor must be inherent in their work lives, which permeate their homes and family lives as well. By providing free meals and accommodation for team members, daily medical needs with the facilities of an inhouse doctor and medical insurance provided, in addition to uniforms, they can concentrate on the work at hand with undivided attention, not plagued by negativities that could arise if these issues dog their work day.

Camaraderie and team spirit is fostered through numerous events organised by the Welfare Society including the annual family trip and parties at Christmas and during the New Year season in April.

Staff Meals	2014 / 2015 (Rs.)	2013 / 2014 (Rs.)
Expenditure	13,328,570/-	13,240,723/-

Welfare events	2014 / 2015 (Rs.)	2013 / 2014 (Rs.)
Amount spent on staff trip	375,000/-	300,000/-
Amount spent on staff party	371,500/-	296,000/-
<b>Total</b>	<b>746,500/-</b>	<b>596,000/-</b>

### Impacting Our Community Positively

We live in a primarily fishing area, where the community, though used to tourism, have always sustained themselves by the sea. These communities work and live in difficult conditions with income earned being barely sufficient. Having nurtured a strong relationship with our community, we have been interacting with them to give them avenues which will augment their livelihoods, while also adding dignity to the way they work, creating sustainable income generating avenues through numerous means.

### Promoting and Sustaining Local Small Industries

By presenting a renaissance to the communities around us in giving them additional sources of income and thereby further impetus for development, we work on a proactive platform to promote and sustain local small industries. Our Resort thus becomes the hub for showcasing small industries which has now gained popularity among our guests, enabling us to establish a sustainable foundation and long term relationships between multiple stakeholders.

### Fruit and Vegetable Farmers

A majority of the fruit and vegetable requirements for the property is obtained through local suppliers within our communities or surrounding locales. We are emphatic about the use of organic fruit and vegetables wherever possible to ensure that the highest standards are consistently maintained in our cuisine offerings. During the year, we paid Rs. 3,363,191 and Rs. 5,074,844 respectively to the farmers who supply fruit and vegetables to the Resort.

### Dairy industry

Given the substantial demand for dairy products ubiquitous with any hospitality property, we have now forged relationships with dairy farmers within the community to supply fresh milk and other dairy products. The total expended on dairy products this year was Rs. 2,588,626.

### Bee's Honey, Kitul and Jaggery Farmers

Sourced from micro entrepreneurs operating home based industries, the organic produce is promoted at our Resort to ensure that these farmers will gain regular income and sustain their livelihoods. We purchased Rs. 264,816/- worth of bee's honey, honeycombs and jaggery from these suppliers.

### Horticulture

It is imperative that a niche resort like ours exudes the chic sophisticated elegance expected of such a property. Fresh flowers surely enhance the look and feel of our property, especially given that the horticulture required for the Resort is completely sourced from up-country horticulturalists and those living within our community. These floral masterpieces adorn public areas, rooms and special events and functions and this year, saw us contribute Rs. 220,124 towards the procurement of water lilies, the national flower of Sri Lanka. This was specifically done to add to the local aesthetics that must be promoted among our guests and also to sustain small-scale entrepreneurs whose livelihood is in water lilies. A total of Rs. 678,066 was given to small scale farmers engaged in horticulture upcountry.

### Handicrafts

With the objective of promoting and creating a demand for Sri Lankan handicrafts, we continue to support local craftsmen by procuring their wares for resale via the resort boutique and as tokens of appreciation presented to guests. We encourage our guests to patronise these cottage industries, via specially organised tours and handicraft workshops, while also creating artistic branded products, identified with the Resort, handmade by these local craftsmen.

Guests who have their weddings at our Resort are gifted with a handcrafted wooden stilt fisherman, the omnipresent attraction surrounding our property specifically, very reminiscent of Koggala and its surrounds. 250 carved stilt fishermen were sourced from local craftsmen for a total of Rs. 240,000 during the year. At the festive periods of Christmas and New Year, 200 of these carved works of art were presented to resident guests as a goodwill measure.

The Resort boutique's wide array of exquisitely carved ornaments reflect generations of skill and can be purchased by both in-house guests and visitors. These works of art include indigenous handicraft, paintings, reed ware and other handcrafted ornaments provided by local artisans.

# Sustainability Report Contd.

Artists	Revenue Distributed in 14/15 (Rs.)	Revenue Distributed in 13/14 (Rs.)
Handicrafts	669,915/-	550,967/-
Paintings	2,918,200/-	3,189,750/-
Reed ware	265,505/-	250,709/-
Others	3,533,111/-	3,349,070/-
<b>Total</b>	<b>7,386,732/-</b>	<b>7,340,496/-</b>

## Tour Operators & Local Guides

A unique initiative wherein a partnership has been inked with the Three Wheelers and Taxi Drivers Association established within the area, has promoted a safe and convenient method of transportation for guests, to peruse the attractions of the surrounding cities and villages. We engaged the services of the local tour guides and area residents who are 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 records the revenue contributed by our Resort to the Association over a two year period, since the agreement was implements:

Year	2014/ 2015	2013/ 2014
Number of Hires	2,687	2828
Revenue Recorded (Rs.)	6,404,000/-	6,865,978/-

We have also introduced the unique operational perspective where guests have the freedom to negotiate directly with the Association to arrange tours independently. As such, there is a significant additional income earned as a direct result of the property's location in the area, not represented in the table above.

## Education

### Skill Development

Education to us is the epitome of sustainable development and as such, the FRP Internship programme is surely a value creator for the youth in our community, empowering them while developing skills and competencies that are transferable to the hospitality and

related industries. Armed with these skills, the youth gain the added advantage of increased self esteem, self-confidence, self-reliance, self-respect and broader career options.

Based on an agreement with the Sri Lanka Institute of Tourism & Hotel Management (SLITHM) and the National Apprentice Board (NAB), we provide these students with internships to work within the Resort as an imperative hands-on facet within their curriculum. During the year, we trained eight students from SLITHM for a period of six months on a full-time basis.

During the past financial year, internships to a further six trainees from NAB was provided, assisting in fulfilling the criteria required for a full time training period of three years, enabling them to gain the relevant certifications. The trainees are provided with meals, accommodation, uniforms and an attractive monthly allowance during their apprenticeship. Upon successful completion of their apprenticeship with us, these SLITHM and NAB graduates are afforded the option of contractual employment at our Resort.

### Presentation of School Books

Under the FRP Future Learners Programme, we presented the children of our permanent staff, gift vouchers to purchase school books. This year we invested Rs. 280,000 on this initiative which is an increase over last year's Rs. 262,000.

### Promoting Cultural Awareness

Based in a country where history, legend, dance, art and craft are inextricably intertwined with local culture and mores, we believe it is our responsibility to promote these illustrious features of the country to guests. Traditional dance recitals via exhibitions and cultural shows are held weekly as part of the entertainment calendar for guests, engaging performances from dance troupes within our community around us. Given the diversity of our guest profile, most from Europe and others from Asia, we are indeed proud to have enabled these local troupes to perform for an international audience which has also led them to gain sponsorships from our guests.

The numerous Theme Nights are given added lustre with cultural shows and performances that promote age old art forms. Performers are also hired for special events. Rs. 729,000 was the income generated by these performers this year from our Property.



### **Making Sustainability A Way of Life**

We are proud to be a strong and stable corporate steward, able to weather the storms that rise from time to time and lead the way in developing Sri Lanka's extraordinary brand of hospitality. It is this solidity that builds a sustainable entity, an entity that looks beyond the quantitative performance to the qualitative impacts on stakeholders. We are one such entity, where sustainable development is a holistic concept that we apply to every facet of our business.

Ours is a property that draws from the dynamism of our architecture, strong Dutch and Portuguese influences combining the subtle beauty of this island nation. Around us live communities who thrive in our presence, a team that wants to win and pioneer innovations so they are always on top, guests whose expectations of us have driven us to constantly raise the bar and a host of other stakeholders who have built their own sustainable foundations by using us as a truss. This to us is the real meaning of sustainable development, where each of our stakeholders draws from us and we from them, to create win-win formulae that cascade to positive impacts on the industry and the nation. Sustainability in our ethos there is well engrained in the concept of People. Profit. Planet.



Exquisite fine dining in an enchanting setting, catering to an array of palettes with an exotic, eclectic and exceptional mix of world class cuisine.







# Risk Management

The Fortress Resorts PLC, by engaging its leadership and operational teams in developing a robust, responsive and active Risk Management process has created and nurtured a Risk Management culture that is vigilant, alert, proactive, consistent and fast to respond effectively in managing risk. Through this process we have developed a better understanding of major risks, encouraged and facilitated the sharing of best practices in the hotel and reduced the overall cost of risk by continuously improving our Risk Management approaches.

The main elements of the process which comprise of risk identification, evaluation, prioritization and management, enables us to strike an appropriate balance between entrepreneurship and the risk associated with business opportunities along a path of sustainable growth which balances the need and requirement for safeguarding assets with opportunities to create value for our Shareholders.

The Board assumes responsibility for ensuring the effectiveness of the Group's Risk Management and System of Internal Control and has entrusted the Board Audit Committee with the task of reviewing the processes, assessing adequacy and ensuring effectiveness.

The Risk Management team systematically monitors existing and potential risk by working with risk owners to refresh risk registers, validate risks for continued relevance, identify emerging risks and prioritise all risks in terms of financial impact and likelihood of occurrence. Existing controls are assessed as well as the ability, benefit and cost to improve them. The review team and externally sourced Internal Auditors, are separately responsible for providing assurance, identifying lapses and proposing new or improvements to existing internal controls in the hotel and provide reports on the internal control framework to the Audit Committee. This ensures the separation of duties between the Risk Management and internal audit functions thereby supporting good governance.

Risk and the review of the internal controls is an agenda of Board meetings which ensures that well thought-out and appropriate action plans are implemented to manage emerging risk with robust control measures. Furthermore, the review of the internal control and procedures relating to financial, statutory, regulatory and related compliances are also repeating items on the Agenda.

## Risk Management Framework

The Risk Management framework enables us to understand material risks that we currently face as well as emerging risks. This framework ensures that risks are effectively identified and assessed and that appropriate controls and responses are in place.

The Risk Management team comprising of the Chief Financial Officer, functional and operational managers take responsibility for the early identification of potential risks. Risks are identified at hotel level through various means including intelligence gathering, quality audits, Risk Management assessments and internal audits. They are also identified as a result of incidents customer insight surveys and assessments. Those risks having a catastrophic impact on the organization, 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 that will have an eventual negative impact on the longevity of our business operations.

Identified risks are recorded on the risk register of the company. They are thereafter 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 and appropriate Risk Management measures such as acceptance, mitigation, transfer or control of particular risks had been properly monitored. Action plans are reviewed at appropriate levels in the organizational structure and escalated either to drive action or to develop a common solution and implemented along with measures to continuously monitor the effectiveness of same.

By adopting this framework, the Group is able 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 hotel has maintained insurance at levels determined by it to be appropriate in relation to the cost of cover and the risk profile of the property.



As an outcome of the Risk Management process, the Audit Committee has received quarterly confirmations of financial and operational compliance from the Hotel Management with the sustainability reports. The Hotel Management has also confirmed that the risk register of the hotel has been updated by the hotel.

### **Risk environment and risk profile**

In 2012, the leisure industry in Sri Lanka was characterized by strong overall growth in tourist arrivals. This growth rate was static up to 2014 and however, evidence of the possible impact of the recession in Europe was seen in the drop in tourist arrivals from the European markets. On the other hand, strong growth in tourist arrivals was recorded from the East, with China and India demonstrating rapid growth. The biggest risk faced by the operations in 2014 was the shift in global travel generating markets from the West to the East. Unpredictable events such as economic meltdown in Turkey and the political issues in Middle East, adversely affected both inbound and outbound travel globally.

Although a sharp depreciation of the Sri Lankan Rupee against the US Dollar took place towards the first quarter of the financial year 14/15 remaining throughout the financial year 14/15 and risk exposure and the profile of the group did not change significantly last year. A review of the key risks that could materially affect the hotel with the control measures and action plans implemented to mitigate them are set out below.

**“The Risk Management Framework enables us to understand material risks that we currently face as well as emerging risks. This framework ensures that risks are effectively identified and assessed and that appropriate controls and responses are in place.”**

# Risk Management contd.

Risk category and description	Potential Impact	Control measures and action plans to mitigate risk.
<b>Strategic Risk : Market Share</b>		
Loss of market share in a high growth environment or industry over capacity.	Reduction in market share and loss of revenue.	<ul style="list-style-type: none"> <li>• The company adopts a policy of refurbishing the hotel whenever necessary and refreshing the themes of the Hotel's food &amp; beverage offerings.</li> <li>• Considering the expansion options available at the moment through strategic new investments.</li> <li>• Innovating and trend setting while benchmarking with global competition.</li> <li>• Obtained crowns for food hygiene in 2013 and continuing the same for the future.</li> </ul>
<b>Business Risk</b>		
The inability of the Hotel to achieve its business objectives.	<p>Adverse impact on planned profitability and cash flows.</p> <p>Availability of affordable credit</p> <p>Increase in operating and assets replacement costs due to fluctuation in exchange rates.</p>	<ul style="list-style-type: none"> <li>• Corporate plans are formulated on annual basis and formally approved by the Board. These plans are thereafter monitored and reviewed by the Board on an ongoing basis.</li> <li>• Implementation of stringent cost control procedures and innovative cost saving initiatives in the hotel level.</li> <li>• Ongoing review of cost and expenditure by operational and finance staff to determine appropriate revision of rates and tariffs.</li> </ul>
<b>Statutory &amp; Legal Risk</b>		
<p>Implications that arise due to non-compliance with regulatory requirements.</p> <p>Risk of litigations from guests, customers, suppliers, associates 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>	<ul style="list-style-type: none"> <li>• Statutory returns including taxes are regularly monitored, reviewed and scrutinised by the Group Financial Controller and the CFO. Compliance audits are included in the scope of the internal audit program. A comprehensive financial and operational checklist is reviewed by the Senior Management on a monthly basis.</li> <li>• Active engagement with industry advisory and policy making bodies to articulate concerns and make representations upon invitation.</li> <li>• Continuous review and development of information systems which detect and report deviations.</li> </ul>

Risk category and description	Potential Impact	Control measures and action plans to mitigate risk.
<b>Operational Risk</b>		
<b>Demand</b>		
The adverse impact on Hotel turnover due to over / under capacity and / or weak demand in traditional source markets.	<p>Amplified negative impact on revenue streams during the off peak season.</p> <p>Lower room rates and lower growth prospects.</p>	<ul style="list-style-type: none"> <li>• Expansion of distribution channels through digitised web and direct marketing strategies.</li> <li>• Participation in global and regional tourism promotional events in potential and emerging markets like China and India.</li> <li>• Maintaining dynamic relationship with key overseas industry partners through direct contact and local representatives.</li> <li>• Cultivating and nurturing guest loyalty by recognising and rewarding guests who frequently patronise the hotel.</li> <li>• Collaborating with the local tourism authorities to mitigate where appropriate adverse media reports and canvassing relaxation of negative travel advisories.</li> <li>• Collaborating with local tourism authorities in marketing initiatives undertaken in key generating markets.</li> <li>• Introduction of unique and innovative services to create demand for the destination.</li> </ul>
<b>Project implementation Risk</b>		
The adverse impact on hotel revenues due to delaying projects.	<p>Cost over runs and loss of earnings due to delays.</p> <p>Exposure to risk of repetitive nature</p>	<ul style="list-style-type: none"> <li>• Establishing project timelines in consultation with all relevant parties.</li> <li>• Formal process established to cover project consultancy , project award and material procurement.</li> <li>• Specialised teams monitor project progress and compliance with established sustainability guidelines.</li> <li>• Learning derived from mitigating risks identified during project implementation is documented for future reference.</li> </ul>

# Risk Management contd.

Risk category and description	Potential Impact	Control measures and action plans to mitigate risk.
<b>Competition</b>		
Competitive actions from industry peers and threat of new entrants	Erosion of market share, lower occupancy and rates.	<ul style="list-style-type: none"> <li>• Ongoing and timely investments to upgrade the hotel and its facilities</li> <li>• By providing superior service quality.</li> <li>• Providing value for money by enhancing services, improving service delivery and focusing on consistent quality</li> <li>• Monitoring adherence to brand standards across the Hotel.</li> <li>• Exceeding Customer expectations by careful analysis of guest feedback and providing appropriate and prompt responses to identified issues.</li> <li>• Strong focus on innovation and nurturing an environment conducive to creative thinking.</li> <li>• Benchmarking against globally recognised quality standards.</li> </ul>
<b>Brand Equity and Reputation</b>		
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.	<p>Decline in customer base, loss of market share, market penetration and ability to develop the business.</p> <p>Inability to maintain room rate differentiation and competitive advantage.</p> <p>Erosion in confidence may damage sustainability of the hotel business.</p>	<ul style="list-style-type: none"> <li>• Although same factors are beyond its control, the hotel adopts the following approaches to mitigate this risk.</li> <li>• Innovative service in keeping with the brand promise.</li> <li>• The Hotel ensures that Key Managerial positions are held by suitably qualified and trained Staff with sufficient experience in the hotel industry.</li> <li>• Ongoing attention to environment, health and safety concerns by obtaining appropriate recognised quality certification standards.</li> <li>• Hotel operation is monitored against and guided by the Standard Operating procedures (SOP).</li> <li>• Continuous monitoring and review of on-line customer reviews and ratings.</li> </ul>
<b>Personnel</b>		
The risk of losing highly skilled Staff and Key Personnel due to industry growth, inappropriate labor.	<p>Inability to maintain quality standards and meet guest expectations.</p> <p>Higher operational cost and loss of business.</p>	<ul style="list-style-type: none"> <li>• Identification of talent pool for succession planning.</li> <li>• Structured training arising from performance appraisal process.</li> <li>• Developing a spirit of unity by organising associate gatherings to celebrate staff birthdays, outings, sport days, family get-togethers and religious and cultural festivals.</li> <li>• Recognising superior performance by presenting certificates and cash rewards to honor and reward associates.</li> </ul>



Risk category and description	Potential Impact	Control measures and action plans to mitigate risk.
<b>Technology and Data Protection Risk</b>		
Failure to keep pace with developments in technology could impair our competitive position and operations	<p>Adverse impact on efficiency of operations, guest satisfaction and loss of competitive advantage.</p> <p>Additional investment in new technologies/systems to remain competitive.</p>	<ul style="list-style-type: none"> <li>• The IT division of the Hotel has implemented procedures to safeguard the computer installations of the Hotel to ensure continuity of operations.</li> <li>• Reservation and property management system upgraded for greater alignment with business needs making it easier to respond to changes in business strategy.</li> <li>• Continuous review of network protection processes to ensure integrity and security of data and having redone the local area network during the year.</li> <li>• Business continuity and disaster recovery plans have been in place in case of any emergency situations.</li> </ul>
<b>Internal Operational Process</b>		
Risk of financial loss due to breakdown in internal controls.	Disruption of operations, loss of profits and ineffective use of assets and resources.	<ul style="list-style-type: none"> <li>• Clearly defined systems and procedures are in place to ensure compliance with internal controls , which are monitored and reviewed for their continued efficiency and effectiveness.</li> <li>• An outsourced internal audit firm regularly reviews and provides assurance on the adequacy of the hotel's financial and operational systems. Their scope also covers regulatory and statutory compliance.</li> <li>• Quarterly confirmation of compliance with financial, operational and sustainability procedures and requirements.</li> <li>• A formal process in place to review and monitor internal audit findings.</li> </ul>
<b>Financial Risk</b>		
<b>Financing and Interest Rate Risk</b>		
Inability to satisfy debt repayment covenants and secure financing for proposed investments.	Higher finance cost. Loss of reputation.	<ul style="list-style-type: none"> <li>• The Hotel maintains a balance between continuity and flexibility of funding using domestic borrowings.</li> <li>• Hotel reached a debt free situation during the financial year with the fully repayment of long term debt.</li> </ul>

# Risk Management contd.

Risk category and description	Potential Impact	Control measures and action plans to mitigate risk.
<b>Credit Risk</b>		
Exposure of default by debtors particularly overseas partners.	Loss of profits and higher working capital requirement.	<ul style="list-style-type: none"> <li>• Constant monitoring of trends in payment patterns.</li> <li>• Being alert to indicators of insolvency by keeping touch with economic alerts and reviews, financial information of partners.</li> <li>• Robust credit policy in place to review credit worthiness on a periodic basis.</li> <li>• Every Endeavour is made to secure advances from agents where ever possible.</li> <li>• Actively measuring trade debtor balances with collection targets and regular meetings to monitor and review efficiency of collection activities.</li> </ul>
<b>Exchange Rate Risk</b>		
Risk arising due to the volatility in foreign currency exchange rates.	Impact on profitability on translation of foreign currency transactions to the base reporting currency.	<ul style="list-style-type: none"> <li>• Sales contracts with major foreign tour operators are denominated in US Dollars which is considered as a safe currency.</li> <li>• Denomination of local rates in local currency.</li> <li>• All foreign remittance are channeled through FCBU accounts denominated in three major currencies (USD, EURO, GBP) to mitigate any possible risks on conversions.</li> </ul>

Risks associated with and arising from global economic uncertainty, greater regulation, financial volatility, growing competition for markets and talent are among the key risks that will pose a challenge in the future.

In conclusion, the Board is pleased to confirm that a process for identifying, evaluating and managing significant risks that endanger the achievement of the strategic objectives of The Fortress Resorts PLC and its Subsidiary 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 2015.

## 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 98 to 127 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 Directors

Mr. J A S S Adhihetty - Managing Director  
Mr. Jan P Van Twest - Director / General Manager

### Non-Executive Directors

Mr. Dhammika Perera - Chairman  
(Alternate Director Ms. Manjari Tissera)  
Mr. W A C J Wickramasinha\* - Director  
Mr. Malik J Fernando - Director  
Mr. Merrill J Fernando - Director  
Mr. S Senaratne\* - Director  
Mr. L T Samarawickrama - Director  
(Alternate Director - Mr H Somashantha)  
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

### \*Independent Non-Executive Directors

During the year under review Ms. Manjari Tissera was appointed as the Alternate Director to Mr. Dhammika Perera on 20th May 2014. Consequent to Sections 210 and 211 of the Companies Act, Mr. Merrill J Fernando was re-appointed as a Director at the previous Annual General Meeting held on 27th June 2014.

In terms of Article 84 of the Articles of Association Messrs Dhammika Perera, L T Samarawickrama and W A C J Wickramasinha retire by rotation and being eligible are being recommended by the Board for re-election at the forthcoming Annual General Meeting.

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

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 85 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, La Forterese (Pvt) Ltd. who held office as at the end of the accounting period, are given below:

Mr. W A C J Wickramasinha - 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 22 to the Financial Statements.

## Directors' Remuneration

The Directors' remuneration is disclosed under Key Management Personnel Remuneration in Note No 22.2 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 2015 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 2015 are as follows:

	Shareholding as at 31/03/2015	Shareholding as at 31/03/2014
Mr. Dhammika Perera	10,329,317	10,329,317
Mr. J A S S Adhihetty	13,741	13,741
Mr. Malik J Fernando	833,333	833,333
Mr. Merrill J Fernando	2,124,400	2,124,400
Mr. W A C J Wickramasinha*	19,291	19,291
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. P B Perera	500	500
Mr. Jan P van Twest	Nil	Nil
Mr. C V Cabraal*	Nil	Nil
Mr. H Somashantha (Alternate Director to Mr. L T Samarawickrama)	Nil	Nil
Mr. W D N H Perera (Alternate Director to Mr. P B Perera)	89	89
Ms. M H S M Tissera (Alternate Director to Mr. Dhammika Perera)	Nil	Nil

## \* Independent Non-Executive Directors

Messrs Dhammika Perera, J A S S Adhihetty, W D N H Perera (who is the Alternate Director to Mr. P B Perera) and L N de S Wijeyeratne are Directors of L B Finance PLC, which held 4,051,100 shares as at 31st March 2015.

Messrs Dhammika Perera and W D N H Perera (who is the Alternate Director to Mr. P B Perera), are Directors of Royal Ceramics Lanka PLC, which held 336,100 shares as at 31st March 2015.

Messrs Dhammika Perera, J A S S Adhihetty and W D N H Perera (who is the Alternate Director to Mr. P B Perera) are Directors of



Vallibel One PLC which held 19,977,345 shares as at 31st March 2015.

Messrs Merrill J Fernando and Malik J Fernando are Directors of MJF Holdings Limited, which held 28,616,411 shares as at 31st March 2015

Mr. Dhammika Perera a Director of Vallibel Leisure (Private) Limited which held 24,417,932 shares as at 31st March 2015.

### **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 130 and 131.

### **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. 209,000/- is payable by the Company to the Auditors as Audit Fees (Group - Rs. 759,000/-) for the year under review.

The Auditors have also provided non-Audit services and the fee payable therefor amounts to Rs. 38,800/- (Group - Rs. 167,600/-) 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.156,237/-)

### **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 to 15 and Risk Management Practices on page 66 to 72 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**

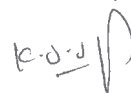
The Directors confirm that, to the best of their knowledge, all taxes, duties and levies payable by the Company, all contributions, levies and taxes payable on behalf of and in respect of the employees of the Company and all other known statutory dues as were due and payable by the Company as at the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

### **Annual General Meeting**

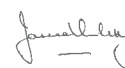
The Annual General Meeting will be held on 29 June 2015 at 10.30 a.m. at the Auditorium of the L B Finance PLC, Corporate Office, No. 20, Dharmapala Mawatha, Colombo 03

The notice of the Annual General Meeting appears on page 132

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  
18 May 2015

# 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 of Twelve(12) members (of whom two are Executive Directors) and, Ten (10) Directors including the Chairman are Non-Executive Directors.

The names of the Directors who served on the Board during the year under review are given on page 73.

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 W A C J Wickramasinhe, Mr S Senaratne, Mr L N de S Wijeyeratne and Mr C V Cabraal.

In determining the Directors' independence, the Board decided that Messrs W A C J Wickramasinhe and S Senaratne, who have completed more than nine years of service in the Company and 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 Directorships and shareholdings in Amaya do not compromise the said period of service, 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 Dhammika 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 2015, four (04) meetings of the Board were held. The attendance at the meetings was :

Name of Director	Executive/ Non-Executive/ Independent Non-Executive	Attendance
Mr. Dhammika Perera (Alternate Director Ms. Manjari Tissera appointed on 20.05.2014)	Non-Executive	03/04
Mr. J A S S Adhihetty	Executive	03/04
Mr. W A C J Wickramasinhe	Independent Non-Executive	02/04
Mr. L T Samarawickrama (Alternate Director : Mr Haresh Somasantha)	Non-Executive	01/04

Name of Director	Executive/ Non-Executive/ Independent Non-Executive	Attendance
Mr. Malik J Fernando	Non-Executive	01/04
Mr. Merrill J Fernando	Non-Executive	00/04
Mr. S Senaratne	Independent Non-Executive	01/04
Mr L N de Silva Wijeyeratne	Independent Non-Executive	04/04
Mr. Denesh E Silva	Non-Executive	04/04
Mr. P B Perera (Alternate Director Mr. W D N H Perera)	Non-Executive	02/04
Mr. Jan Van Twest	Executive	04/04
Mr. C V Cabraal	Independent/ Non-Executive	03/04

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 attend meetings by invitation.

### Remuneration Committee

The Remuneration Committee consists of three (3) Non-Executive Directors, two of whom are Independent Directors. Mr. W A C J Wickramasinha is the Chairman of the Remuneration Committee and Mr. S Senaratne and Mr. Malik J Fernando are 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 89 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.

# Corporate Governance Contd.

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.

## **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 Dirige 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*  
18 May 2015



### Adoption of Joint Code of Best Practise Checklist

 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 prescribed 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 ©	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 Board 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-Excutive 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 Excutive Officer and Non-Executive Directors.		Corporate Governance
7.10.5 ©	Disclosure in the Annual Report relating to Remuneration Committee.	The Annual Report should setout (a) Names of Directors comprising of 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 Contd.

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	<input checked="" type="checkbox"/>	Corporate Governance
7.10.6 (a)	Composition of an Audit Committee.	Shall comprise of Non-Executive Directors and majority of whom should be independent.	<input checked="" type="checkbox"/>	Corporate Governance and the Board Committee Reports.
		Non-Executive Directors shall be appointed as the Chairman of the Audit Committee.	<input checked="" type="checkbox"/>	
		Chief Executive Officer and the Chief Financial Officer should attend Audit Committee Meetings.	<input checked="" type="checkbox"/>	
		The Chairman of the Audit Committee or one member should be a member of a professional accounting body.	<input checked="" type="checkbox"/>	
7.10.6 (b)	Audit Committee Functions.	Should be as outlined in the Section 7 of the listing rules	<input type="checkbox"/>	Audit Committee Reports.
7.10.6 ©	Disclosure in the Annual Report relating to Audit Committee.	a) Names of the Directors comprising of the Audit Committee. b) The Audit Committee shall make a determination of the independence of the Auditors and disclose for such determination. c) The Annual Report Shall contain a Report of the Audit Committee setting out of the manner of compliance of the functions.	<input checked="" type="checkbox"/>	Corporate Governance and the Board Committee Reports.

Code Ref.	Subject	Applicable Requirement	Adoption Status	Applicable Section in the Annual Report
<b>A.1 DIRECTORS - Board</b>				
A.1.1	Frequency of Board Meetings	Board should meet regularly, at least once in every quarter.	<input checked="" type="checkbox"/>	Corporate Governance / AR of the BOD
A.1.2	Responsibilities of the Board.	Formulation and implementation of strategy.	<input type="checkbox"/>	Corporate Governance
		Skill adequacy of management and succession.	<input type="checkbox"/>	
		Integrity of information , internal controls and Risk Management.	<input type="checkbox"/>	
		Compliance with laws, regulations and ethical standards.	<input type="checkbox"/>	
		Code of conduct.	<input type="checkbox"/>	
		Adoption of appropriate accounting policies.	<input type="checkbox"/>	
A.1.3	Access to Professional Advice.	Procedures to obtain independent professional advice.	<input type="checkbox"/>	
A.1.4	Company Secretary.	Ensure adherence to Board procedures and applicable rules and regulations	<input type="checkbox"/>	
		Procedure for Directors to access services of Company Secretary.	<input checked="" type="checkbox"/>	
A.1.5	Independent Judgement.	Directors should exercise independent judgement on issues of strategy, resources, performance and standards of business judgement.	<input type="checkbox"/>	
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.	<input type="checkbox"/>	
A.1.7	Training for Directors.	Directors should receive appropriate training, hone skills and expand knowledge to more effectively perform duties.	<input type="checkbox"/>	

# Corporate Governance Contd.

Code Ref.	Subject	Applicable Requirement	Adoption Status	Applicable Section in the Annual Report
<b>A.2 DIRECTORS - Chairman &amp; Chief Executive Officer</b>				
A.2.	Division of responsibilities to ensure no individual has unfettered powers of decision.	A balance of power and authority to be maintained by separating responsibility for conducting Board business from that of executive decision making.	<input type="checkbox"/>	
<b>A.3 DIRECTORS - Role of Chairman</b>				
A.3	Ensure good corporate governance.	Chairman to preserve order and facilitate effective discharge of Board Functions by proper conduct of Board Meetings.	<input checked="" type="checkbox"/>	Corporate Governance
<b>A.4 DIRECTORS - Financial Acuman</b>				
A.4	Possession of adequate financial acumen.	Board to ensure adequacy of financial acumen and knowledge within Board.	<input checked="" type="checkbox"/>	Corporate Governance
<b>A.5 DIRECTORS - Board Balance</b>				
A.5.1	Composition of Board.	The Board should include a sufficient number of non - Executive Independent Directors.	<input checked="" type="checkbox"/>	Corporate Governance
A.5.2	Proportion of Independent Directors.	Two or one third of the non - executive Directors should be independent.	<input checked="" type="checkbox"/>	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.	<input type="checkbox"/>	
A.5.4	Declaration of Independence.	Non - executive directors should submit a signed and dated declaration of their independence / non - independence.	<input type="checkbox"/>	
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.	<input checked="" type="checkbox"/>	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	



Code Ref.	Subject	Applicable Requirement	Adoption Status	Applicable Section in the Annual Report
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.	<input type="checkbox"/>	
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	
<b>A.6 DIRECTORS - Supply of information</b>				
A.6.1	Provision of adequate information to Board	Management to ensure the Board is provided with timely and appropriate information.	<input checked="" type="checkbox"/>	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.	<input type="checkbox"/>	
<b>A.7 DIRECTORS - Appointment to the Board</b>				
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.	<input type="checkbox"/>	
A.7.2	Annual assessment of Board composition.	Nomination committee or Board should annually assess the composition of Board.	<input checked="" type="checkbox"/>	Corporate Governance
A.7.3	Disclosure of new Board appointments.	Profiles of new Board appointments to be communicated to Shareholders.	<input type="checkbox"/>	
<b>A.8 DIRECTORS - Re - election</b>				
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.	<input checked="" type="checkbox"/>	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.	<input type="checkbox"/>	

# Corporate Governance Contd.

Code Ref.	Subject	Applicable Requirement	Adoption Status	Applicable Section in the Annual Report
<b>A.9 DIRECTORS - Appraisal of Board Performance</b>				
A.9.1	Annual appraisal of Board performance.	The Board should annually appraise how effectively it has discharged its key responsibilities	<input type="checkbox"/>	
A.9.2	Self evaluation of Board and Board Committees.	The Board should evaluate its performance and that of its committees annually	<input type="checkbox"/>	
A.9.3	Declaration of basis of performance evaluation.	The Board should disclose how performance evaluations have been carried out	<input type="checkbox"/>	
<b>A.10 DIRECTORS -Disclosure of Information in Respect of Directors</b>				
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.	<input checked="" type="checkbox"/>	Board of Directors, Corporate Governance / Audit Committee Report.
<b>A.11 DIRECTORS - Appraisal of Chief Executive Officer</b>				
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.	<input type="checkbox"/>	
A. 11.2	Evaluation of CEO's performance.	The performance of the CEO should be evaluated by the Board at the end of the year.	<input type="checkbox"/>	
<b>8.1 DIRECTORS REMUERATION - Remuneration Procedure</b>				
8.1.1	Appointment of Remuneration Committee.	Remuneration Committee of parent may function as such for the Company to make recommendations on Directors' remuneration.	<input type="checkbox"/>	
8.1.2	Composition of Remuneration Committee.	Board to appoint only Non - Executive Directors to serve on Remuneration Committee.	<input type="checkbox"/>	
8.1.3	Disclosure of members of Remuneration Committee	The Annual Report should disclose the Chairman and Directors who serve on the Remuneration Committee.	<input checked="" type="checkbox"/>	Corporate Governance
8.1.4	Remuneration of Non - Executive Directors.	Board to determine the level of Remuneration of Non-Executive Directors	<input type="checkbox"/>	
8.1.5	Access to professional advice.	Remuneration Committee should have access to professional advice in order to determine appropriate remuneration for Executive Directors	<input type="checkbox"/>	

Code Ref.	Subject	Applicable Requirement	Adoption Status	Applicable Section in the Annual Report
<b>8.2 DIRECTORS REMUNERATION - Level and Make up of Remuneration</b>				
8.2.1	Remuneration packages for Executive Directors.	Packages should be structured to attract, retain and motivate Executive Directors.	NA	
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.	NA	
8.2.3	Appropriateness of remuneration and conditions in relation to other Group Companies.	When determining annual increases the Remuneration Committee should be sensitive to that of other Group Companies.	NA	
8.2.4	Performance related elements of remuneration.	Performance related elements of remuneration should be aligned with the interests of Company.	<input checked="" type="checkbox"/>	
8.2.5	Share options.	Executive should not be offered at a discount.	NA	
8.2.6	Remuneration packages for Non - Executive Directors.	Should reflect time commitment and responsibilities of role and in line with existing market practice.	NA	
<b>8.3 DIRECTORS REMUERATION - Disclosure of Remuneration</b>				
8.3	Disclosure of details of remuneration.	The Annual Report should disclose the remuneration paid to Directors.	<input checked="" type="checkbox"/>	Financial Statements Note
<b>C . 1 RELATIONS WITH SHARE HOLDERS - Constructive use and conduct of Annual General Meeting</b>				
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.	<input type="checkbox"/>	
C.1.2	Separate resolutions.	Separate resolutions should be proposed for substantially separate issues.	<input checked="" type="checkbox"/>	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.	<input type="checkbox"/>	
C.1.4	Notice of AGM.	15 working days notice to be given to Shareholders.	<input checked="" type="checkbox"/>	Notice of Meeting
C.1.5	Procedure for voting at meetings.	Company to circulate the procedure for voting with Notice of Meeting.	<input checked="" type="checkbox"/>	Notice of Meeting








# Corporate Governance Contd.

Code Ref.	Subject	Applicable Requirement	Adoption Status	Applicable Section in the Annual Report
<b>C.2 MAJOR TRANSACTIONS</b>				
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.	<input checked="" type="checkbox"/>	Annual Report of the Board of Directors
<b>D.1 ACCOUNTABILITY AND AUDIT - Financial Reporting</b>				
D.1.1	Presentation of Public Reports.	Should be balanced, understandable and comply with statutory and regulatory requirements.	<input checked="" type="checkbox"/>	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:	<input checked="" type="checkbox"/>	Audit Committee Report
		The company has not contravened laws or regulations in conducting its activities.	<input checked="" type="checkbox"/>	Annual Report of the Board of Directors
		Material interests in contracts have been declared by Directors.	<input checked="" type="checkbox"/>	Financial Statements
		The Company has endeavoured to ensure equitable treatment of shareholders.	<input checked="" type="checkbox"/>	Corporate Governance
		That the business is a "going concern".	<input checked="" type="checkbox"/>	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.	<input checked="" type="checkbox"/>	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.	<input checked="" type="checkbox"/>	Respective Responsibilities of Directors and Auditors
D.1.4	Management Discussion and Analysis	Annual Report to include section on Management Discussion and Analysis.	<input checked="" type="checkbox"/>	Management Discussion
D.1.5	Going Concern	Directors to substantiate and report that the business is a going concern or qualify accordingly	<input checked="" type="checkbox"/>	Annual Report of the Board of Directors

Code Ref.	Subject	Applicable Requirement	Adoption Status	Applicable Section in the Annual Report
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	
<b>D.2 ACCOUNTABILITY AND AUDIT - Internal Control</b>				
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.	<input checked="" type="checkbox"/>	Audit Committee Report / Risk Management
<b>D.3 AUDIT COMMITTEE</b>				
D.3.1	Chairman and Composition of Audit Committee.	Should comprise of a minimum of two Independent Non - Executive Directors.	<input checked="" type="checkbox"/>	Audit Committee Report
		Audit Committee Chairman should be appointed by the Board.	<input checked="" type="checkbox"/>	
D.3.2	Duties of Audit Committee.	Should include.	<input checked="" type="checkbox"/>	
		Review of scope and results of Audit and its effectiveness.	<input checked="" type="checkbox"/>	Audit Committee Report
		Independence and objectivity of the Auditors.	<input checked="" type="checkbox"/>	
D.3.3	Terms of Reference / Charter.	The Audit Committee should have written terms of reference which define the purpose of the Committee and its duties and responsibilities.	<input checked="" type="checkbox"/>	Audit Committee Report
D.3.4	Disclosures.	The Annual Report should disclose the names of Directors serving on the Audit Committee.	<input checked="" type="checkbox"/>	Corporate Governance / Audit Committee Report
		The Audit Committee should determine the independence of the Auditors and disclose the basis of such determination.	<input checked="" type="checkbox"/>	Audit Committee Report



# Corporate Governance Contd.

Code Ref.	Subject	Applicable Requirement	Adoption Status	Applicable Section in the Annual Report
<b>D.4 CODE OF BUSINESS CONDUCT AND ETHICS</b>				
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.		
D.4.2	Chairman's Affirmation.	The Annual Report must include an affirmation by the Chairman that he is not aware of any violation of the Code of Business Conduct and Ethics.		Chairman's Statement / Annual Report of the Board of Directors
<b>D.5 CORPORATE GOVERNANCE DISCLOSURES</b>				
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
<b>E. INSTITUTIONAL INVESTERS - Structured Dialogue</b>				
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		
<b>F. OTHER INVESTERS - Investment / Divestment decisions</b>				
F.1	Individual Investors	Individual Shareholders should be encouraged to carry out adequate analysis and seek professional advice when making their investment / divestment decisions.		
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 2015/2016, 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*

18 May 2015





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# 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 the 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. W A C J Wickramasinha

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. Chairman and two Directors of the Committee are Independent Directors. 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 into consideration which fall within the committee's purview. The Managing Director, Director / General Manager & the Financial Controller attend audit meetings of the Committee by invitation. Outsourced Internal Auditors (BDO Partners) are required to attend meetings on a regular basis. The Committee met four times during the financial year ended 31st March 2015.

## 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 2016, subject to the approval of the shareholders at the next Annual General Meeting.



**L.N. de S. Wijeyeratne (FCA)**

*Chairman*

*Audit Committee*

18 May 2015



# Independent Auditors' Report



Ernst & Young  
Chartered Accountants  
201 De Saram Place  
P.O. Box 101  
Colombo 10  
Sri Lanka

Tel : +94 11 2463500  
Fax Gen : +94 11 2697369  
Tax : +94 11 5578180  
eysl@lk.ey.com  
ey.com

## TO THE SHAREHOLDERS OF THE FORTRESS RESORTS PLC AND ITS SUBSIDIARY

### Report on the Financial Statements

We have audited the accompanying financial statements of The Fortress Resorts PLC, ("the Company"), and the consolidated financial statements of the Company and its subsidiary ("Group"), which comprise the statement of financial position as at March 31, 2015, and the statement of profit and loss and other comprehensive income, statement of changes in equity and, cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information. (Setout on pages 98-127)

### Board's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit

also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Board, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 March 2015, and of its profits and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

### Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we state the following:

- The basis of opinion and scope and limitations of the audit are as stated above.
- In our opinion:
  - we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.
  - The financial statements of the Company give a true and fair view of its financial position as at March 31, 2015, and of its profits and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.
  - The financial statements of the Company, and the Group comply with the requirements of sections 151 and 153 of the Companies Act.

18 May 2015  
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 FCA Ms. Y A De Silva FCA W R H Fernando FCA FCMA  
W K B S P Fernando FCA FCMA Ms. L K H L Fonseka FCA 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 FCA N M Sulaiman ACA ACMA B E Wijesuriya FCA ACMA

A member firm of Ernst & Young Global Limited

# Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 March 2015	Note	Group 2015 Rs.	2014 Rs.	Company 2015 Rs.	2014 Rs.
Revenue	4	686,976,564	650,526,146	-	-
Cost of Sales		(177,644,351)	(165,911,628)	-	-
Gross Profit		509,332,213	484,614,519	-	-
Other Income and Gains	5	29,494,829	30,020,015	117,000,000	14,850,150
Selling and Marketing Expenses		(32,257,766)	(27,543,305)	-	-
Administrative Expenses		(290,751,985)	(275,028,896)	(5,957,093)	(5,278,356)
Finance Cost	6.1	(2,795,087)	(39,244,246)	-	-
Finance Income	6.2	21,037,610	34,177,401	-	-
Profit/(Loss) before Tax	7	234,059,814	206,995,487	111,042,907	9,571,794
Income Tax Expenses	8	(44,234,927)	(30,107,067)	-	-
Profit for the year		189,824,887	176,888,420	111,042,907	9,571,794

## Other Comprehensive Income

Other comprehensive loss not to be reclassified to profit or loss in subsequent periods

Actuarial Loss on Defined Benefit Plan		(464,194)	(233,681)	-	-
Income Tax Effect		46,419	23,368	-	-
Net other comprehensive loss not to be reclassified to profit or loss in subsequent periods		(417,775)	(210,313)	-	-
Other comprehensive loss for the year, net of tax		(417,775)	(210,313)	-	-
Total Comprehensive Income for the Year, net of tax		189,407,112	176,678,106	111,042,907	9,571,794
Basic Earnings per Share	9	1.71	1.60	1.00	0.09

The Accounting Policies and Notes on pages 98 to 127 form an integral part of these Financial Statements.

# Statement of Financial Position

As at 31 March 2015		Group	Company		
	Note	2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.
ASSETS					
Non-Current Assets					
Property, Plant and Equipment	10	1,043,694,628	1,104,286,969	-	-
Investments in Subsidiary	11	-	-	1,000,009,990	1,000,009,990
Intangible Assets	12	3,571,572	5,149,607	-	-
		1,047,266,200	1,109,436,576	1,000,009,990	1,000,009,990
Current Assets					
Inventories	14	18,201,373	16,610,216	-	-
Trade and Other Receivables	15	44,176,721	55,472,989	92,822,724	-
Advances and Prepayments		16,230,435	19,623,520	-	-
Income Tax Receivables		137,474	137,474	137,474	137,474
Short Term Deposits	16	105,000,000	175,000,000	-	-
Cash and Bank Balances	17	303,304,528	20,913,732	35,352	36,144
		487,050,532	287,757,931	92,995,550	173,618
Total Assets		1,534,316,732	1,397,194,507	1,093,005,540	1,000,183,608
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 Profit/(Losses)		295,300,412	105,893,300	(16,113,500)	(127,156,407)
Total Equity		1,404,167,252	1,214,760,140	1,092,753,340	981,710,433
Non-Current Liabilities					
Interest Bearing Loans and Borrowings	13.1	2,500,309	12,451,755	-	-
Retirement Benefit Obligation	19	8,833,085	6,691,399	-	-
Deferred Tax Liability	8.3	29,861,494	25,996,558	-	-
		41,194,888	45,139,712	-	-
Current Liabilities					
Trade and Other Payables	20	68,166,153	68,379,207	252,200	18,473,175
Income Tax Payables		7,179,624	10,670,055	-	-
Interest Bearing Loans and Borrowings	13.1	13,608,815	58,245,393	-	-
		88,954,592	137,294,655	252,200	18,473,175
Total Equity and Liabilities		1,534,316,732	1,397,194,507	1,093,005,540	1,000,183,608

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;



Director



Director

The Accounting Policies and Notes on pages 98 to 127 form an integral part of these Financial Statements.

18 May 2015  
Colombo

# Statement of Changes In Equity

Year ended 31 March 2015

Group	Stated Capital Rs.	Accumulated Profit/(Losses) Rs.	Total Rs.
Balance as at 01 April 2013	1,108,866,840	(70,784,807)	1,038,082,033
Profit for the year	-	176,888,420	176,888,420
Other Comprehensive Income / (Loss)	-	(210,313)	(210,313)
Balance as at 31 March 2014	1,108,866,840	105,893,300	1,214,760,140
Profit for the year	-	189,824,887	189,824,887
Other Comprehensive Income / (Loss)	-	(417,775)	(417,775)
Balance as at 31 March 2015	1,108,866,840	295,300,412	1,404,167,252

Company	Stated Capital Rs.	Accumulated Losses Rs.	Total Rs.
Balance as at 1 April 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
Profit for the year	-	111,042,907	111,042,907
Balance as at 31 March 2015	1,108,866,840	(16,113,500)	1,092,753,340

The Accounting Policies and Notes on pages 98 to 127 form an integral part of these Financial Statements.

# Statement of Cash Flows

Year ended 31 March 2015	Note	Group		Company	
		2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.
Cash Flows from/(used in) Operating Activities					
Profit before Tax		234,059,814	206,995,486	111,042,907	9,571,794
Adjustments for					
Depreciation	10	106,005,910	104,898,485	-	-
Amortisation	12	1,578,036	1,502,764	-	-
Finance Cost	6.1	2,795,087	39,244,246	-	-
Finance Income	6.2	(21,037,610)	(34,177,401)	-	-
Dividend Income		-	-	(117,000,000)	(14,850,150)
Exchange Gain		-	(2,450,470)	-	-
(Profit)/Loss on Disposal of Property, Plant and Equipment	5	(539,347)	99,574	-	-
Provision for Defined Benefit Obligation		2,448,617	1,924,828	-	-
Operating Profit/(Loss) before Working Capital Changes		325,310,506	318,037,512	(5,957,093)	(5,278,356)
(Increase)/Decrease in Inventories		(1,591,157)	(1,376,869)	-	-
(Increase)/Decrease in Trade and Other Receivables		13,026,322	1,826,894	(92,822,724)	-
Increase/(Decrease) in Trade and Other Payables		(213,054)	19,381,881	(18,220,975)	(9,571,027)
Cash Generated from/(used in) Operations		336,532,616	337,869,418	(117,000,792)	(14,849,383)
Finance Cost paid	6.1	(2,795,087)	(39,244,246)	-	-
Defined Benefit Obligation paid	19	(771,125)	(686,255)	-	-
Tax paid		(43,814,003)	(16,224,680)	-	-
Net Cash from/(used in) Operating Activities		289,152,402	281,714,237	(117,000,792)	(14,849,383)
Cash Flows from/(used in) Investing Activities					
Proceeds from Disposal of Property Plant and Equipment		2,491,643	(99,574)	-	-
Acquisition of Property, Plant and Equipment	10.4	(47,365,864)	(29,821,666)	-	-
Acquisition of Intangible Assets	12	-	(645,194)	-	-
Net Investment in Short term deposits	16	70,000,000	25,000,000	-	-
Finance Income Received	6.2	22,700,639	34,177,401	-	-
Dividend Received		-	-	117,000,000	14,850,150
Net Cash from/(used in) Investing Activities		47,826,417	28,610,967	117,000,000	14,850,150
Cash Flows from/(used in) Financing Activities					
Repayment of Bank Loans	13.2	(45,000,000)	(279,000,000)	-	-
Principal Payments under Finance Lease Liabilities	13.3	(11,368,992)	(10,241,693)	-	-
Net Cash from/(used in) Financing Activities		(56,368,992)	(289,241,693)	-	-
Effect of exchange rates changes on Cash and Cash Equivalents		-	2,450,470	-	-
Net Increase/(Decrease) in Cash and Cash Equivalents		280,609,828	21,083,510	(792)	767
Cash and Cash Equivalents at the beginning of the year		19,037,534	(4,496,446)	36,144	35,377
Cash and Cash Equivalents at the end of the year	17	299,647,362	19,037,534	35,352	36,144

The Accounting Policies and Notes on pages 98 to 127 form an integral part of these Financial Statements.



# Notes to the Financial Statements

## 1. CORPORATE INFORMATION

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, Sri Lanka.

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

The consolidated financial statements of The Fortress Resorts PLC and its subsidiary (collectively, the Group) for the year ended 31 March 2015 were authorised for issue in accordance with a resolution of the directors on 18 May 2015.

### 1.1 Parent Entity and Ultimate Parent Entity

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

## 2. SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of Preparation

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 (SLAS) 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.

The Financial Statements have been prepared on the historical cost basis. The consolidated financial statements are presented in Sri Lankan Rupees (Rs.).

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

### 2.2 Basis of Consolidation

The consolidated financial statements comprise of the financial statements of the Group and its subsidiary as at 31 March 2015. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the

ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

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

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

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

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain

or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

### 2.2.1 Subsidiary

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

Subsidiary	2015	2014
La Forteresse (Private) Limited	100%	100%

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

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

## 2.3 Summary of Significant Accounting Policies

### 2.3.1 Current Versus Non-current Classification

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

- Expected to be realised or intended to sold or consumed in normal operating cycle.
  - Held primarily for the purpose of trading.
  - Expected to be realised within twelve months after the reporting period.
- Or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in a normal operating cycle.
  - It is held primarily for the purpose of trading.
  - It is due to be settled within twelve months after the reporting period
- Or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

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

### 2.3.2 Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

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

### 2.3.3 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 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, interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the statement of profit or loss.

# Notes to the Financial Statements Contd.

## Dividends

Dividends are recognised when the Group's right to receive the payment is established, which is generally when Shareholders approve the dividend.

## Rental income

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

### 2.3.4 Taxation

#### Current Income Tax

Income tax expense comprises of current and deferred tax. Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

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

#### Income Tax Exemptions and Concessionary Tax Rates

##### 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").

This exemption period commenced on 01 April 2008 and expired on 31 March 2013. From 01 April 2013 onwards La Forteresse (Private) Limited was liable to pay income tax at a rate of 10% for a period of 2 years ended 31 March 2015. From 01 April 2015 onwards 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, associates 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.

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

#### **Tax on Dividends**

Tax withheld on dividend income from subsidiary is recognised as an expense in the consolidated statement of profit or loss 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.

### **2.3.5 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.

#### **i) Transactions and balances**

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 statement of profit or loss.

### **2.3.6 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 statement of profit or loss as incurred.

Depreciation is recognised in the statement of profit or loss on a straight-line basis over the estimated useful lives of the assets, as follows:

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

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

The 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 Contd.

## 2.3.7 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 statement of profit or loss.

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 statement of profit or loss on a straight-line basis over the lease term.

## 2.3.8 Borrowing cost

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

## 2.3.9 Intangible assets

An intangible asset acquired separately 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 intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period 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 are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category consistent with the function of the intangible assets.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

## 2.3.10 Financial instruments - initial recognition and subsequent measurement

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

### i) Financial assets

#### Initial recognition and measurement

Financial assets are classified, at initial recognition, as 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. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

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.

#### **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 statement of profit or loss in finance costs for loans and in cost of sales or other operating expenses for receivables.

This category generally applies to trade and other receivables. For more information on receivables, refer to Note 15.

#### **Derecognition**

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

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

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

#### **Impairment of financial assets**

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred '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 observable data indicating 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 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.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit 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.

# Notes to the Financial Statements Contd.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income (recorded as finance income in the statement of profit or loss) 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. 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 write-off is later recovered, the recovery is credited to finance costs in the statement of profit or loss.

## ii) Financial liabilities

### Initial recognition and measurement

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

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

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

### Subsequent measurement

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

#### Loans and borrowings

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

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

This category generally applies to interest-bearing loans and borrowings. For more information refer Note 13.

### Derecognition

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

### iii) Offsetting of financial instruments

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

### 2.3.11 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		
and Other		

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

### 2.3.12 Impairment of non- financial assets

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

### 2.3.13 Cash and short-term deposits

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

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

### 2.3.14 Provisions

#### General

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

### 2.3.15 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 2015 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 (OCI). Current Service Cost and Interest Cost are recognized in the statement of profit or loss.

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 Group contributes 12% and 3% of gross emoluments of employees to Employees' Provident Fund and Employees' Trust Fund respectively.

### 2.4 New and Amended Standards and Interpretations

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

#### (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 effective date has been deferred subsequently.

#### (ii) SLFRS 14 - Regulatory Deferral Accounts

The scope of this standard is limited to first-time adopters of SLFRS that already recognise regulatory deferral account balances in their financial statements. Consequently, the financial statements of rate regulated entities that already apply SLFRS, or that do not otherwise recognise such balances, will not be affected by this standard. This standard is effective for the annual periods beginning on or after 01 January 2016.

# Notes to the Financial Statements Contd.

## (iii) SLFRS 15 -Revenue from Contracts with Customers

SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including LKAS 18 Revenue, LKAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. This standard is effective for the annual periods beginning on or after 01 January 2017.

None of these new standards and interpretations is expected to have a material effect on the Financial Statements of the Group. Pending the detailed review of such standards and interpretations, the extent of the impact has not been determined by the management.

## 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.

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

- |  |         |
|--|---------|
| • Capital management                     | Note 24 |
| • Financial Risk Management and policies | Note 24 |
| • Sensitivity analyses disclosures       | Note 24 |

### 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/- (2014 - 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 8.3.1.

## 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. Future salary increases and pension increases are based on expected future inflation rates of the country.

Further details about the assumptions used are given in Note 19.

#### 4. REVENUE

	Group		Company	
	2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.
Revenue (Note 4.1)	686,976,564	650,526,146	-	-
	686,976,564	650,526,146	-	-
<b>4.1 Revenue</b>				
Apartment Revenue	441,182,931	409,210,092	-	-
Restaurant Sales	157,492,613	155,830,497	-	-
Bar Sales	60,944,626	60,029,197	-	-
Spa Income	27,356,394	25,456,360	-	-
	686,976,564	650,526,146	-	-

#### 5. OTHER INCOME AND GAINS

	Group		Company	
	2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.
Laundry Income	3,282,529	3,008,426	-	-
Transport Income	3,954,675	3,897,322	-	-
Excursion Income	8,354,266	7,220,179	-	-
Boutique Income	3,431,681	3,686,333	-	-
Telephone Income	15,202	15,227	-	-
Exchange Gain	-	2,450,470	-	-
Sundry Income	9,917,129	9,742,058	-	-
Dividend Income	-	-	117,000,000	14,850,150
Profit on Disposal of Property, Plant and Equipment	539,347	-	-	-
	29,494,829	30,020,015	117,000,000	14,850,150

#### 6. FINANCE COSTS AND INCOME

	Group		Company	
	2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.
<b>6.1 Finance Cost</b>				
Interest Expense on Bank Loans	192,437	35,297,268	-	-
Interest Expense on Bank Overdrafts	4,947	5,074	-	-
Finance Charges on Lease Liabilities	2,597,703	3,941,904	-	-
	2,795,087	39,244,246	-	-



# Notes to the Financial Statements Contd.

	Group		Company	
	2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.
<b>6.2 Finance Income</b>				
Interest Income	21,037,610	34,177,401	-	-
	21,037,610	34,177,401	-	-

## 7. PROFIT/(LOSS) BEFORE TAX

	Group		Company	
	2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.
Stated after Charging				
Included in Cost of Sales				
Employees Benefits including the following	33,014,413	36,807,160	-	-
- Defined Benefit Plan Cost - Gratuity (included in Employee Benefits)	526,408	590,166	-	-
- Defined Contribution Plan Cost - EPF and ETF (included in Employee Benefits)	3,367,226	3,063,976	-	-
Depreciation	16,154,352	18,845,456	-	-
Included in Administrative Expense				
Employees Benefits including the following	61,691,123	53,929,236	-	-
- Defined Benefit Plan Cost - Gratuity (included in Employee Benefits)	1,922,209	1,334,662	-	-
- Defined Contribution Plan Cost - EPF and ETF (included in Employee Benefits)	5,621,734	4,834,244	-	-
Depreciation	89,851,558	86,053,029	-	-
Amortisation of Intangible Assets	1,578,036	1,502,764	-	-
Audit Fees	759,000	690,000	209,000	190,000
Charity and Donations	156,237	175,625	-	-
Land Rent	2,420,331	2,085,907	-	-
Loss on Disposal of Property, Plant and Equipment	-	99,574	-	-
Included in Selling and Marketing Expenses				
Advertising	8,204,235	10,239,132	-	-
Sales Promotion Expenses	16,596,202	10,380,963	-	-

## 8. INCOME TAX EXPENSE

The major components of income tax expense for the years ended 31 March 2015 and 2014 are:

	Group		Company	
	2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.
Statement of Profit or Loss				
Current Income Tax				
Current Income Tax Charge (Note 8.1)	27,742,066	26,870,772	-	-
Dividend Tax	13,000,000	1,500,015	-	-
Adjustments in respect of current income tax of previous year	(418,495)	-	-	-
	40,323,571	28,370,787	-	-
Deferred Tax				
Relating to origination and reversal of temporary differences (Note 8.2)	3,911,355	1,736,280	-	-
Income tax expense reported in the Statement of Profit or Loss	44,234,927	30,107,067	-	-

	Group		Company	
	2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.
Statement of Other Comprehensive Income (OCI)				
Deferred tax related to items recognised in OCI during in the year:				
Net Gain on actuarial gains and losses	46,419	23,368	-	-
Deferred tax charged to OCI	46,419	23,368	-	-

# Notes to the Financial Statements Contd.

**8.1** A reconciliation of tax expense and the accounting profit multiplied by the statutory tax rate is as follows :

	<b>Group</b>		<b>Company</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>
<b>Taxable Profit/(Loss) from Business</b>				
Accounting Profit/(Loss) before Income Tax	234,059,814	206,995,486	111,042,907	9,571,794
Disallowed Items	131,338,438	151,830,206	-	-
Allowed Items	(125,845,287)	(151,637,295)	-	-
Exempted Profit	-	-	(111,042,907)	(9,571,794)
Interest Income	(21,037,610)	(34,177,401)	-	-
Taxable Profit/(Loss) from Business	218,515,355	173,010,996	-	-
<b>Other Sources of Income</b>				
Gross Interest Income	21,037,610	34,177,401	-	-
Taxable Other Income	21,037,610	34,177,401	-	-
<b>Total Statutory Income</b>	<b>241,973,297</b>	<b>207,188,397</b>	<b>-</b>	<b>-</b>
<b>Total Taxable Income</b>	<b>241,973,297</b>	<b>207,188,397</b>	<b>-</b>	<b>-</b>
Income Tax @ 10%	21,851,536	17,301,100	-	-
Income Tax @ 28%	5,890,531	9,569,672	-	-
<b>Current Income Tax Charge</b>	<b>27,742,066</b>	<b>26,870,772</b>	<b>-</b>	<b>-</b>
<b>8.2 Tax Losses Utilised</b>				
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 2.3.4 of these Financial Statements.

### 8.3 Deferred Tax - Group

	Statement of Financial Position		Statement of Profit or Loss	
	2015	2014	2015	2014
	Rs.	Rs.	Rs.	Rs.
Deferred Tax Liability				
Directly Charged to Equity	25,073,724	25,073,724	-	-
Capital Allowances for Tax purpose	5,694,446	1,591,973	4,102,472	1,860,137
	30,768,170	26,665,698	4,102,472	1,860,137
Deferred Tax Assets				
Retirement Benefit Obligation - Through Income Statement	(836,889)	(645,772)	(191,117)	(123,857)
Retirement Benefit Obligation - Through Other Comprehensive Income	(69,788)	(23,368)	-	-
	(906,677)	(669,140)	(191,117)	(123,857)
Deferred Taxation Charge/(Reversal)			3,911,355	1,736,280
Net Deferred Tax Liability	29,861,494	25,996,558		
<b>8.3.1 Reconciliation of Deferred Tax Charge / (Reversal)</b>				
Deferred Tax Charge reported in the Statement of Profit or Loss			3,911,355	1,736,280
Deferred Tax Charge reported in Other Comprehensive Income			(46,419)	(23,368)
			3,864,936	1,712,912

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/- (2014 - 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/- (2014 - 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.

# Notes to the Financial Statements Contd.

## 9. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit for the year attributable to Ordinary Shareholders by the weighted average number of ordinary shares outstanding during the year.

The 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	
	2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.
Profit attributable to Ordinary Shareholders for Basic Earnings per Share	189,824,887	176,888,420	111,042,907	9,571,794

### 9.2 Number of Ordinary Shares Used as the Denominator

	Group		Company	
	2015 Number	2014 Number	2015 Number	2014 Number
Weighted Average Number of Ordinary Shares applicable to Basic Earnings per Share	110,886,684	110,886,684	110,886,684	110,886,684



## 10. PROPERTY, PLANT AND EQUIPMENT - GROUP

### 10.1 Gross Carrying Amounts

	Balance As at 01.04.2014 Rs.	Additions Rs.	Disposals Rs.	Balance As at 31.03.2015 Rs.
<b>At Cost/ Deemed Cost</b>				
Buildings on Leasehold Land - Hotel	913,017,900	6,917,151	-	919,935,051
- Administration	44,495,390	252,688	-	44,748,078
Plant and Equipment	17,208,833	-	-	17,208,833
Furniture and Fittings	109,594,486	10,990,382	(4,179,000)	116,405,868
Fixtures and Fittings	44,503,776	768,998	-	45,272,774
Computer Equipment	15,875,207	2,631,498	(316,089)	18,190,616
Telephone Equipment	1,772,522	147,394	(46,015)	1,873,901
Kitchen Equipment	46,010,447	3,395,694	(70,920)	49,335,221
Electrical Equipment	116,040,250	13,456,629	(475,117)	129,021,762
Linen and Furnishing	11,200,666	5,874,890	(3,786,540)	13,289,016
Cutlery and Crockery	16,309,631	1,557,952	(1,704,377)	16,163,206
Other Equipment	14,513,958	1,372,587	(21,100)	15,865,445
Air Conditioners	11,925,379	-	-	11,925,379
Motor Vehicles	1,357,143	-	-	1,357,143
	1,363,825,588	47,365,864	(10,599,158)	1,400,592,294
<b>Assets on Finance Leases</b>				
Motor Vehicles	44,510,406	-	-	44,510,406
	44,510,406	-	-	44,510,406
<b>Total Gross Carrying Amount</b>	<b>1,408,335,994</b>	<b>47,365,864</b>	<b>(10,599,158)</b>	<b>1,445,102,700</b>

# Notes to the Financial Statements Contd.

## 10.2 Depreciation

	Balance As at 01.04.2014 Rs.	Charge for the year Rs.	Disposals Rs.	Balance As at 31.03.2015 Rs.
<b>At Cost/ Deemed Cost</b>				
Buildings on Leasehold Land - Hotel	79,759,401	26,772,133	-	106,531,534
- Administration	5,222,669	1,552,429	-	6,775,098
Plant and Equipment	8,247,104	2,774,931	-	11,022,034
Furniture and Fittings	50,812,740	17,991,424	(2,572,337)	66,231,826
Fixtures and Fittings	15,939,557	6,109,775	-	22,049,332
Computer Equipment	9,589,419	1,878,555	(316,089)	11,151,884
Telephone Equipment	1,644,992	86,109	(13,508)	1,717,593
Kitchen Equipment	28,135,945	11,956,358	(17,532)	40,074,771
Electrical Equipment	53,245,120	18,934,406	(303,888)	71,875,638
Linen and Furnishing	6,970,922	2,025,135	(3,786,540)	5,209,517
Cutlery and Crockery	10,613,223	4,197,993	(1,623,369)	13,187,846
Other Equipment	12,117,815	1,181,744	(13,600)	13,285,960
Air Conditioners	3,505,831	1,371,406	-	4,877,237
Motor Vehicles	226,190	271,432	-	497,622
	286,030,927	97,103,829	(8,646,863)	374,487,893
<b>Assets on Finance Leases</b>				
Motor Vehicles	18,018,098	8,902,081	-	26,920,179
	18,018,098	8,902,081	-	26,920,179
<b>Total Depreciation</b>	<b>304,049,025</b>	<b>106,005,910</b>	<b>(8,646,863)</b>	<b>401,408,072</b>

### 10.3 Net Book Values

	2015 Rs.	2014 Rs.
<b>At Cost/ Deemed Cost</b>		
Buildings on Leasehold Land - Hotel	813,403,516	833,258,499
- Administration	37,972,980	39,272,721
Plant and Equipment	6,186,799	8,961,729
Furniture and Fittings	50,174,042	58,781,746
Fixtures and Fittings	23,223,442	28,564,219
Computer Equipment	7,038,732	6,285,788
Telephone Equipment	156,308	127,530
Kitchen Equipment	9,260,450	17,874,502
Electrical Equipment	57,146,124	62,795,130
Linen and Furnishing	8,079,499	4,229,744
Cutlery and Crockery	2,975,360	5,696,408
Other Equipment	2,579,485	2,396,143
Air Conditioners	7,048,142	8,419,548
Motor Vehicles	859,521	1,130,953
	<b>1,026,104,401</b>	<b>1,077,794,661</b>
<b>Assets on Finance Leases</b>		
Motor Vehicles	17,590,227	26,492,308
<b>Total Carrying Amount of Property, Plant and Equipment</b>	<b>1,043,694,628</b>	<b>1,104,286,969</b>

**10.4** During the financial year, the Group acquired property, plant and equipment to the aggregate value of Rs. 47,365,864/- (2014 - Rs. 29,821,666/-). Cash payments amounting to Rs. 47,365,864/- (2014 - Rs. 29,821,666/-) 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. The Group cultivates an organic garden on leasehold lands from the Board of Investment of Sri Lanka for a period of 50 years at rental of Rs.412,000/- per annum.

# Notes to the Financial Statements Contd.

## 11. INVESTMENT IN SUBSIDIARY - COMPANY/ GROUP

### 11.1 Non-Quoted Investments

	Holding Percentage		Cost		Director's Valuation	
	2015 %	2014 %	2015 Rs.	2014 Rs.	2015 Rs.	2014 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 01.04.2014 Rs.	Additions Rs.	Disposals Rs.	Balance As at 31.03.2015 Rs.
	7,890,182	-	-	7,890,182
Computer Software	7,890,182	-	-	7,890,182

### 12.2 Amortisation

	2,740,575	1,578,036	-	4,318,611
Computer Software	2,740,575	1,578,036	-	4,318,611

### 12.3 Net Book Values

	2015 Rs.	2014 Rs.
Computer Software	3,571,572	5,149,607

Computer Software are amortised over 05 years

### 13. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES

#### 13.1 Interest Bearing Loans and Borrowings - Group

	Interest Rate	2015 Rs.	2014 Rs.
<b>Current Interest Bearing Loans and Borrowings</b>			
Other Current Loans (Note 13.2)	AWDR + 3%	-	45,000,000
Bank Overdrafts (Note 17)		3,657,166	1,876,198
Obligation Under the Financial Lease (Note 13.3)		9,951,649	11,369,195
<b>Total Current Interest Bearing Loans and Borrowings</b>		<b>13,608,815</b>	<b>58,245,393</b>
<b>Non Current Interest Bearing Loans and Borrowings</b>			
Other Non Current Loans (Note 13.2)	AWDR + 3%	-	-
Obligation Under the Financial Lease (Note 13.3)		2,500,309	12,451,755
<b>Total Non Current Interest Bearing Loans and Borrowings</b>		<b>2,500,309</b>	<b>12,451,755</b>

#### 13.2 Bank Loans

	Balance As at 01.04.2014 Rs.	Loans Obtained Rs.	Repayments Rs.	Balance As at 31.03.2015 Rs.
<b>Bank of Ceylon</b>				
Term Loan - 1	45,000,000	-	(45,000,000)	-
	45,000,000	-	(45,000,000)	-

	2015 Rs.	2014 Rs.
Current	-	45,000,000
Non Current	-	-
<b>Total</b>	<b>-</b>	<b>45,000,000</b>



# Notes to the Financial Statements Contd.

## 13.3 Finance Leases

	Balance As at 01.04.2014 Rs.	New Leases Obtained Rs.	Repayments Rs.	Balance As at 31.03.2015 Rs.
Pan Asia Banking Corporation PLC	24,981,743	-	12,581,342	12,400,401
Bank of Ceylon	2,655,258	-	1,385,352	1,269,906
Gross Liability	27,637,001	-	13,966,694	13,670,307
Finance Charges allocated to Future periods	(3,816,051)	-	(2,597,702)	(1,218,349)
Net Liability	23,820,950	-	11,368,992	12,451,958

	2015 Rs.	2014 Rs.
Current	9,951,649	11,369,195
Non Current	2,500,309	12,451,755
<b>Total</b>	<b>12,451,958</b>	<b>23,820,950</b>

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

## 13.4 Fair Values

The management assessed that cash and short-term deposits, trade receivables, trade payables, bank overdrafts and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

## 14. INVENTORIES - GROUP

	2015 Rs.	2014 Rs.
Food and Beverages	6,169,038	6,651,037
House Keeping and Maintenance	9,588,284	7,376,241
Others	2,444,052	2,582,939
	<b>18,201,373</b>	<b>16,610,216</b>

## 15. TRADE AND OTHER RECEIVABLES - GROUP

	Group		Company	
	2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.
Trade Receivables	44,176,721	55,472,989	-	-
Other Receivables - Related Parties (Note 15.1)	-	-	92,822,724	-
	44,176,721	55,472,989	92,822,724	-

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

	Total Rs.	Neither 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.
2015	44,176,721	10,617,217	21,953,033	10,473,235	1,133,236	-	-
2014	55,472,987	3,416,527	32,557,461	17,286,458	1,550,501	613,917	48,123

### Impairment of Debtors

- No any 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.

### 15.1 Other Receivables - Related Parties

Company	Relationship	2015 Rs.	2014 Rs.
La Forteresse (Private) Limited	Subsidiary Company	92,822,724	-

## 16. SHORT TERM DEPOSITS - GROUP

	2015 Rs.	2014 Rs.
Investments in Fixed Deposits	105,000,000	175,000,000

# Notes to the Financial Statements Contd.

## 17. CASH AND CASH EQUIVALENTS IN THE CASH FLOW STATEMENT

	Group		Company	
	2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.
Components of Cash and Cash Equivalents				
Favorable Cash and Cash Equivalent Balances				
Cash and Bank Balances	8,157,507	20,913,732	35,352	36,144
Short term deposits with 3 months or before maturity	295,147,021	-	-	-
	303,304,528	20,913,732	35,352	36,144
Unfavorable Cash and Cash Equivalent Balances				
Bank Overdraft	(3,657,166)	(1,876,198)	-	-
Total Cash and Cash Equivalents for the Purpose of Cash Flow Statement	299,647,362	19,037,534	35,352	36,144

## 18. STATED CAPITAL - COMPANY/ GROUP

	2015		2014	
	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

	2015 Rs.	2014 Rs.
Defined Benefit Obligation - Gratuity		
Defined Benefit obligation at 1 April 2014	6,691,399	5,219,145
Current Service Cost	1,712,563	1,402,914
Interest Cost	736,054	521,914
Actuarial Loss	464,194	233,681
Benefits paid	(771,125)	(686,255)
Defined Benefit Obligation at 31 March 2015	8,833,085	6,691,399
The expenses are recognised in the following line items in the statement of profit and loss.		
Cost of Sales	526,408	590,166
Administrative Expenses	1,922,209	1,334,662
Other Comprehensive Income	464,194	233,681
	2,912,811	2,158,509

**19.1** Messers. Actuarial and Management Consultants (Private) Limited, an independent actuaries, carried out and actuarial valuation of the defined benefit plan gratuity on March 31, 2015. Appropriate and compatible assumptions were used in determining the cost of retirement benefits.

**19.2** The principle assumptions used were as follows,

	2015	2014
Discount Rate	9%	11%
Future Salary Increment Rate	7%	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	699,613	(623,129)	(575,286)	655,812

**19.4** The average duration of the Defined Benefit Plan Obligation at the end of the reporting period is 9 years.

## 20. TRADE AND OTHER PAYABLES

	Group		Company	
	2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.
Trade Creditors	24,124,063	17,885,911	-	-
Other Payables - Related Parties (Note 20.1)	-	-	-	18,239,975
Other	41,590,625	47,776,914	43,200	-
Accrued Expenses	2,451,465	2,716,381	209,000	233,200
<b>Total</b>	<b>68,166,153</b>	<b>68,379,207</b>	<b>252,200</b>	<b>18,473,175</b>

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

# Notes to the Financial Statements Contd.

## 20.1 Other Payables - Related Parties

Company	Relationship	2015 Rs.	2014 Rs.
La Forteresse (Private) Limited	Subsidiary Company	-	18,239,975

## 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 into a lease agreement with them starting from 01st August 2005 and ends on 31st July 2035. There is a possibility of extending the period for further 10 years if the Group 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 entered 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 a yearly basis.

	2015 Rs.	2014 Rs.
Within one year	2,212,485	1,800,484
After one year but not more than five years	11,236,358	9,074,894
More than five years	44,810,890	28,495,739
	58,259,732	39,371,117

### 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:

	2015		2014	
	Minimum payments Rs.	Present value of payments (Note 13) Rs.	Minimum payments Rs.	Present value of payments (Note 13) Rs.
Within one year	11,067,230	9,951,649	12,750,979	11,369,195
After one year but not more than five years	2,603,077	2,500,309	14,886,022	12,451,755
Total minimum lease payments	13,670,307	12,451,958	27,637,001	23,820,950
Less amounts representing finance charges	(1,218,349)	-	(3,816,051)	-
Present value of minimum lease payments	12,451,958	12,451,958	23,820,950	23,820,950



## 22. RELATED PARTY DISCLOSURES

Details of significant related party disclosures are as follows:

### 22.1 Transactions with the Parent and Related Entities - Company

	Subsidiary Company	
	2015	2014
	Rs.	Rs.
As at 1 April	18,239,975	27,874,802
Expenses Incurred on behalf of the Company	5,937,301	5,215,323
Dividend Received	(117,000,000)	(14,850,150)
As at 31 March	(92,822,724)	18,239,975
Included in		
Trade and Other Payables	(92,822,724)	18,239,975

Subsidiary : La Forteresse (Private) Limited

### 22.2 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. 3.24 Million (2014 - Rs. 3 Million) and this has been included under the Administrative Expenses.

### 22.3 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.

		2015	2014
		Rs.	Rs.
Related Party			
LB Finance PLC	Investment in Fixed Deposits	230,147,021	135,000,000
Vallible Finance PLC	Investment in Fixed Deposits	170,000,000	40,000,000
Pan Asia Banking Corporation PLC	Lease Rental Paid	(12,581,342)	(12,798,251)
	Lease Payables as at 31 March	12,400,401	24,981,743

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.

# Notes to the Financial Statements Contd.

## 23. 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.

## 24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities, comprise of 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 Board of Directors review and agrees on 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.

The Group's financial instruments affected by market risk include loans and borrowings and deposits.

The sensitivity analyses in the following sections relate to the position as at 31 March in 2015 and 2014.

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

### 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 +3%.

### 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
2015		
Interest Bearing Loans and Borrowings	(+/-) 10%	(+/-) 139,755
2014		
Interest Bearing Loans and Borrowings	(+/-) 10%	(+/-) 3,530,234

The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

### 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
2015	(+/-) 5%	(+/-) 25,113	(+/-) 22,602
2014	(+/-) 5%	(+/-) 1,791,759	(+/-) 1,612,583

### 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 2015, the Group had 6 customers (2014: 7 customers) that owed the Group more than Rs. 1 Million each and accounted for approximately 57% (2014: 85%) of all receivables owing. There were three customers (2014: three customers) with balances greater than Rs. 3 Million accounting for just over 43% (2014: 45%) of the total amounts receivable.

The requirement for an impairment is analysed at each reporting date on an individual basis for major clients. Additionally, a large number of minor receivables are Companies into homogenous Company's and assessed for impairment collectively. The calculation is based on actual incurred historical data. The Company does not hold collateral as security. The Group evaluates the concentration of risk with respect to trade receivables as low, as its customers are located in several jurisdictions and industries and operate in largely independent markets.

### 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.

# Notes to the Financial Statements Contd.

## 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 2015 (2014: 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 Rs.	Less than 3 months Rs.	3 to 12 months Rs.	1 to 5 years Rs.	> 5 years Rs.	Total Rs.
<b>Year ended 31 March 2015</b>						
Interest-bearing loans and borrowings	3,657,166	-	-	-	-	3,657,166
Finance Leases	-	2,739,614	7,212,035	2,500,309	-	12,451,958
Trade and other payables	-	68,379,207	-	-	-	68,379,207
	3,657,166	71,118,821	7,212,035	2,500,309	-	84,488,331
	On demand Rs.	Less than 3 months Rs.	3 to 12 months Rs.	1 to 5 years Rs.	> 5 years Rs.	Total Rs.
<b>Year ended 31 March 2014</b>						
Interest-bearing loans and borrowings	1,876,198	12,777,780	32,222,220	-	-	46,876,198
Finance Leases	-	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

### 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 2015 and 2014.

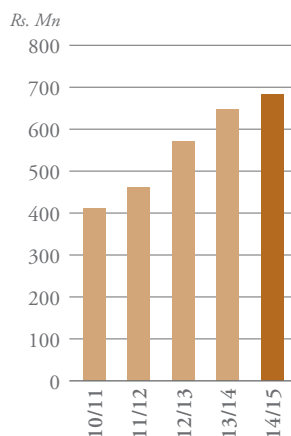
The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's policy is to keep the gearing ratio less than 50%. The Group includes within net debt, interest bearing loans and borrowings, trade and other payables, less cash and cash equivalents,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

	2015	2014
Interest-bearing loans and borrowings (Note 13)	6,157,474	59,327,953
Trade and other payables (Note 20)	68,166,153	68,379,207
Less: cash and short-term deposits (Note 16/17)	408,304,528	195,913,732
Net debt	(482,628,155)	(323,620,892)
Equity	1,404,167,252	1,214,760,140
Total capital	1,404,167,252	1,214,760,140
Capital and net debt	921,539,098	891,139,248
Gearing ratio	5%	9%

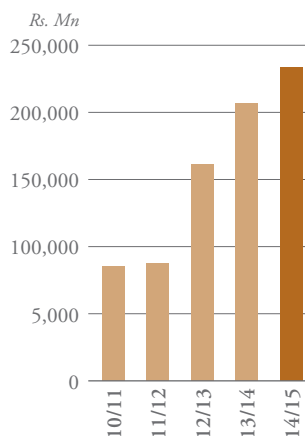
# Five Year Summery - Group

Year Ended 31st March	2010/2011	2011/2012	2012/2013	2013/2014	2014/2015
<i>(Figures in Rs. 000 unless otherwise stated)</i>					
<b>Trading Results</b>					
Turnover (Gross)	416,345	464,306	577,724	650,526	686,977
Profit from operations	248,009	242,303	321,759	350,498	342,861
Depreciation	86,950	105,493	107,601	104,259	106,006
Interest	75,027	49,521	52,445	39,244	2,795
Profit before Tax	86,032	87,289	161,713	206,995	234,060
<b>Stated Capital &amp; Reserves</b>					
Stated Capital	1,108,867	1,108,867	1,108,867	1,108,867	1,108,867
Revenue Reserves	(308,826)	(224,420)	(70,785)	105,893	295,300
Other Reserves	124,373	-	-	-	-
Shareholders' Funds / Net Assets	800,041	884,447	1,038,082	1,214,760	1,404,167
Long Term Loans / Deferred Liabilities	510,000	397,513	324,000	45,000	-
Capital Employed	1,310,041	1,281,960	1,362,082	1,259,760	1,404,167
<b>Assets Employed</b>					
Current Assets	86,246	148,543	304,569	287,758	487,051
Current Liabilities	60,781	120,826	126,420	137,295	88,955
Working Capital	25,465	27,717	178,149	150,463	398,096
Fixed Assets	1,289,585	1,241,359	1,186,146	1,109,437	1,047,266
Capital Employed	1,315,050	1,269,076	1,364,295	1,259,900	1,445,362
<b>Ratio &amp; Statistics</b>					
Gearing (%)	39	31	24	3.57	-
Current Ratio	1.42	1.23	2.41	2.10	5.48
Earnings Per Share (Rs.)	0.76	0.76	1.39	1.60	1.71
Net Assets Per Share (Rs.)	7.21	7.98	9.36	10.95	12.66
Return On Capital Employed (ROCE) (%)	7	7	12	16	16
Return On Equity (%)	11	10	16	17	13
Debt to Total Assets (%)	37	29	22	3	-
Interest Cover (times)	2.15	2.76	4.08	6.27	84.74
Earnings Before Interest & Tax (EBIT)	161,059	136,810	214,158	246,239	236,855
Asset Turnover (%)	36	40	52	61	68

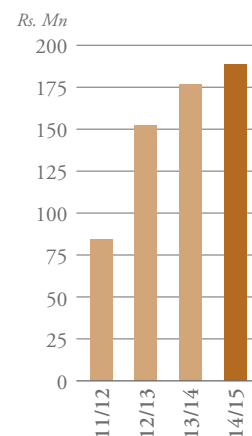
**Revenue**



**Profit/(Loss) Before Tax**



**Profit After Tax**

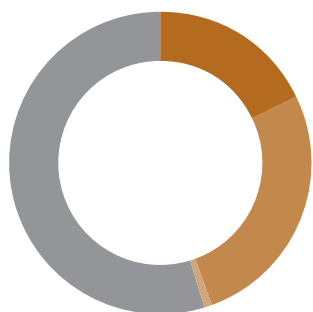




# Group Value Added Statement

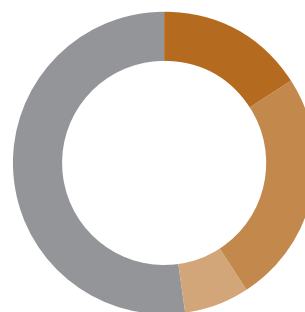
	Group		Company	
	2015 Rs. 000'	2014 Rs. 000'	2015 Rs. 000'	2014 Rs. 000'
Turnover Gross	846,355	771,706	-	-
Other Income Gross	57,250	102,074	117,000	14,850
Less : Cost of Material and Service bought in	(363,762)	(331,375)	(5,957)	(5,278)
	539,843	542,405	111,043	9,572
<b>Value Allocated to Employees</b>				
Salaries, Wages & other Benefits	95,434	84,264	-	-
<b>To Government</b>				
VAT, TDL, NBT & Income Tax	146,201	137,027	-	-
<b>To providers of Capital</b>				
Loan Interest	2,795	39,244	-	-
<b>To Expansion &amp; Growth</b>				
Depreciation & Retained in Business	295,413	281,870	111,043	9,572
	539,843	542,405	111,043	9,572

Value Addition 2015



Employees	18%
Government	27%
Providers of Capital	1%
Expansion & Growth	54%

Value Addition 2014



Employees	16%
Government	25%
Providers of Capital	7%
Expansion & Growth	52%

# Shareholder Information

## 20 Major Shareholders of the Company as at 31st March 2015

	31st March 2015		31st March 2014	
	No of Shares	(%)	No of Shares	(%)
1 M J F Holdings Ltd	28,616,411	25.807	28,616,411	25.807
2 Vallibel Leisure (Private) Limited	24,417,932	22.021	24,417,932	22.021
3 Vallibel One PLC	19,977,345	18.016	13,676,350	12.334
4 Mr. K D D Perera	10,329,317	9.315	10,329,317	9.315
5 L B Finance PLC	4,051,100	3.653	4,051,100	3.653
6 Mr. Merrill J Fernando	2,124,400	1.916	2,124,400	1.916
7 Bank of Ceylon No. 1 Account	1,461,100	1.318	1,461,100	1.318
8 Seylan Bank PLC / Jayantha Dewage	1,441,400	1.300	1,441,400	1.300
9 Almar International (Pvt) Ltd	1,249,600	1.127	1,249,600	1.127
10 Freudenberg Shipping Agencies Limited	935,539	0.844	830,019	0.749
11 Mrs N U D Ariyaratna	843,678	0.761	1,404,500	1.267
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 Seylan Bank PLC/Bertram Manson Amarasekara	550,000	0.496	550,000	0.496
15 Mr. A P L Fernando	520,758	0.470	285,876	0.258
16 Polychrome Inks Limited	480,650	0.433	566,666	0.511
17 Dee Investments (Pvt) Ltd	394,375	0.356	394,375	0.356
18 Mr. N P D E Samaranayake	385,000	0.347	-	-
19 Royal Ceramics Lanka PLC	336,100	0.303	336,100	0.303
20 Mr. R Manoharan	291,000	0.262	291,000	0.262
	100,072,371	90.247	93,692,812	84.494
Others	10,814,313	9.753	17,193,872	15.506
Total	110,886,684	100.00	110,886,684	100.00

## Share Distribution

### Shareholding as at 31st March 2015

From	To	No of Holders	No of Shares	%
1	1,000	1,277	504,363	0.45
1,001	10,000	699	2,559,556	2.31
10,001	100,000	166	4,965,258	4.48
100,001	1,000,000	26	9,188,902	8.29
Over 1,000,000		09	93,668,605	84.47
		2,177	110,886,684	100.00

## Categories of Shareholders

Local Individuals	2,037	24,459,033	22.06
Local Institutions	119	86,239,530	77.77
Foreign Individuals	21	188,121	0.17
Foreign Institutions	-	-	-
	2,177	110,886,684	100.00

## Directors' & CEO's Shareholding as at 31st March 2015

	No. of Shares	%
Mr. Dhammika 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. W A C J Wickramasinhe	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. Hareesh Somasantha	Nil	-
(Alternate Director to Mr. L T Samarawickrama)		
Mr. W D N H Perera	89	0.000%
(Alternate Director to Mr. P B Perera)		
Ms. M. H.S.M. Tissera	Nil	-
(Alternate Director to Mr. Dhammika Perera)		

## Share Prices for the Year

	As at 31/03/2015	As at 31/03/2014
Market price per share		
Highest during the year	Rs. 21.00 (05-09-2014)	Rs.17.90 (07-05-2013)
Lowest during the year	Rs. 13.00 (02-04-2014)	Rs.12.70 (25-02-2014)
As at end of the year	Rs. 15.20	Rs.13.30

## Public Holding

Public Holding percentage as at 31st March 2015 – 18.11 % comprising of 2,160 shareholders.

# Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Thirty First(31st) 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 29th June 2015 at 10.30 a.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 2015 with the Report of the Auditors thereon.
- 2 To re-elect Mr. Dhammika Perera who retires in terms of Article 84 of the Articles of Association of the Company, as a Director
- 3 To re-elect Mr. L T Samarawickrama who retires in terms of Article 84 of the Articles of Association of the Company, as a Director.
- 4 To re-elect Mr. W A C J Wickramasinghe who retires in terms of Article 84 of the Articles of Association of the Company, as a Director.
- 5 To pass the ordinary resolution set out below to appoint Mr. Merrill J Fernando, who is 85 years of age, as a Director of the Company.

“IT IS HEREBY RESOLVED that Mr. Merrill J Fernando who has attained the age of 85 years be and is hereby appointed 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.”

- 6 To re-appoint Messrs Ernst & Young, Chartered Accountants, as the Auditors of the Company and to authorize the Directors to fix their remuneration.
- 7 To authorise the Directors to determine donations for the year ending 31st March 2016 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  
18 May 2015

## 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 10.30 a.m. on 27th June 2014.

# 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. Dhammika Perera	or failing him*
Mr. J A S S Adhihetty	or failing him*
Mr. W A C J Wickramasinhe	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 thirty first (31st) Annual General Meeting of the Company to be held on 29th June 2015 and any adjournment thereof and at every poll which may be taken in consequence thereof.

I/We.\* the undersigned, hereby authorize 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 2015 with the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2) To re-elect Mr. Dhammika Perera who retires in terms of Article 84 of the Articles of Association of the Company, as a Director	<input type="checkbox"/>	<input type="checkbox"/>
3) To re-elect Mr. L T Samarawickrema, who retires in terms of Article 84 of the Articles of Association as a Director of the Company	<input type="checkbox"/>	<input type="checkbox"/>
4) To re-elect Mr. W A C J Wickremasinhe, who retires in terms of Article 84 of the Articles of Association as a Director of the Company	<input type="checkbox"/>	<input type="checkbox"/>
5) To appoint Mr. Merrill J Fernando who is 85 years of age, as a Director of the Company pursuant to the provisions of the Companies Act No.7 of 2007.	<input type="checkbox"/>	<input type="checkbox"/>
6) To re-appoint Messrs Ernst & Young as Auditors and to authorise the Directors to determine their remuneration	<input type="checkbox"/>	<input type="checkbox"/>
7) To authorize the Directors to determine donations for the year ending 31st March 2016 and up to the date of the next Annual General Meeting.	<input type="checkbox"/>	<input type="checkbox"/>

In witness my/our\* hands this .....day of .....Two Thousand and Fifteen

.....  
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

# Form of Proxy **Contd.**

## **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 10.30 a.m. on 27th June 2015
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.





# Notes

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# 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  
Diri Savi Board of the Colombo Stock Exchange.

## **Registered Office**

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

## **Board of Directors**

Mr. Dhammika Perera (Chairman)  
(Alternate Director Ms. Manjari Tissera)  
Mr. J A S S Adhihetty (Managing Director)  
Mr. W A C J Wickramasinha  
Mr. Malik J Fernando  
Mr. Merrill J Fernando  
Mr. S Senaratne  
Mr. L T Samarawickrama  
(Alternate Director Mr. H Somashantha)  
Mr. L N de Silva Wijeyeratne  
Mr. D E Silva  
Mr. P B Perera  
(Alternate Director Mr. W D N H Perera)  
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  
Sampath Bank PLC  
Pan Asia Banking Corporation PLC



THE FORTRESS RESORT & SPA  
SRI LANKA

[www.thefortress.lk](http://www.thefortress.lk)