



THE FORTRESS RESORT & SPA
SRI LANKA

Perpetual Luxury



Perpetual Luxury

We believe in opulence that remains consistent no matter the situation and in year in which many had to cut corners in order to make a profit, we did not waver in our promise to give our guests the best experience of their life. Amidst the trials and challenges, we were unshaken; we did not waver, and continued to create exceptional memories that saw us create a haven of perpetual luxury.



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Awards and Recognition



CONDÉ NAST Johansens 2017

A global collection approved by local experts.

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.

International Hotel Awards 2016/2017 and International Five Star Hotel Standards in association with

Rolls Royce Motor Cars
Winner of Best Small Hotels in Sri Lanka.



- Trip Advisor Certificate of Excellence
- Trip Advisor 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.



LUX Hotels & Spa Awards Hosted by LUX Magazine

Best Luxury Boutique Resort in Sri Lanka.



Enduring warmth

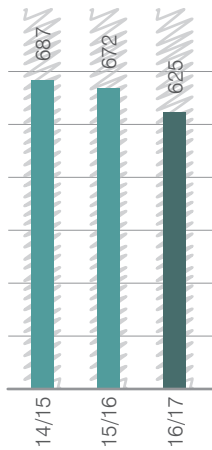


Beyond The Fortress Resort & Spa's inviting exterior lies an exclusive beach retreat that encircles lush gardens and boasts of elaborate features. Inside, you'll discover unparalleled and enduring warmth along with every modern-day amenity you could possibly desire and a selection of restaurants for you to choose from. With the mesmerizing Indian Ocean a stone's throw away, The Fortress Resort & Spa remains one of Galle's most priceless treasures

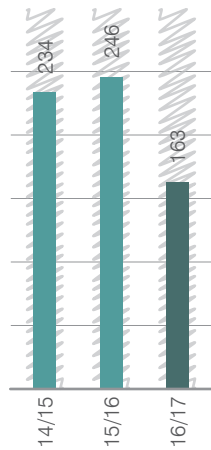
Financial Highlights

Year Ended 31 st March		2017	2016	2015
Earnings Highlights and Ratios				
Revenue	Rs'000	625,422	672,479	686,977
Earnings before interest and tax (EBIT)	Rs'000	163,356	247,578	236,856
Group profit before tax (PBT)	Rs'000	162,951	246,452	234,060
Group profit after tax (PAT)	Rs'000	134,864	187,754	189,407
Group profit attributable to the shareholders	Rs'000	133,822	187,419	189,407
Earnings per share (EPS)	Rs.	1.22	1.69	1.71
EPS Growth	%	(28)	(1)	7
Interest cover	No of times	403	220	85
Return on Equity	%	8	13	13
Pre - tax ROCE	%	10	16	16
Balance Sheet highlights and ratios				
Total assets	Rs'000	1,791,878	1,638,870	1,534,317
Total debt	Rs'000	33,298	6,447	16,110
Total shareholder's funds	Rs'000	1,614,522	1,480,699	1,404,167
No. of shares in issue	Number	110,886,684	110,886,684	110,886,684
Net assets per share	Rs.	14.56	13.35	12.66
Debt/Equity	%	2.06	0.44	1.15
Debt/Total assets	%	1.86	0	1
Market / Shareholder information				
Market price per share as at 31 st March	Rs.	11.60	13.00	15.20
Market capitalisation	Rs'000	1,286,286	1,441,527	1,685,478
Price earnings ratio	No of times	9.54	7.69	8.90
Operational information				
Average occupancy	%	65	67	71
Number of room nights	Room nights	12,519	12,902	13,703
Room revenue	Rs'000	386,138	433,652	441,183
Average room rate (ARR)	Rs.	30,844	33,606	32,191
Revenue per occupied room	Rs.	52,634	56,617	50,126
Net profit per room	Rs'000	2,525	3,536	3,574

Revenue (Rs. Mn)



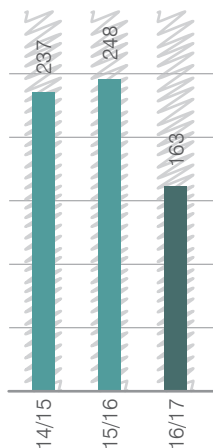
Group PBT (Rs. Mn)



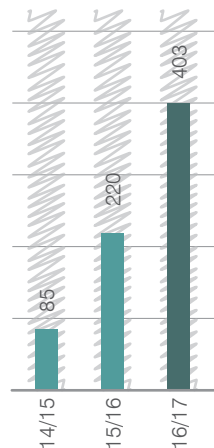
Rs. 625 Mn
Group Revenue



Rs. 163 Mn
Group PBT

Group earnings before
interest and tax (EBIT)
(Rs. Mn)

Interest Cover (Times)



Rs. 135 Mn
Group PAT

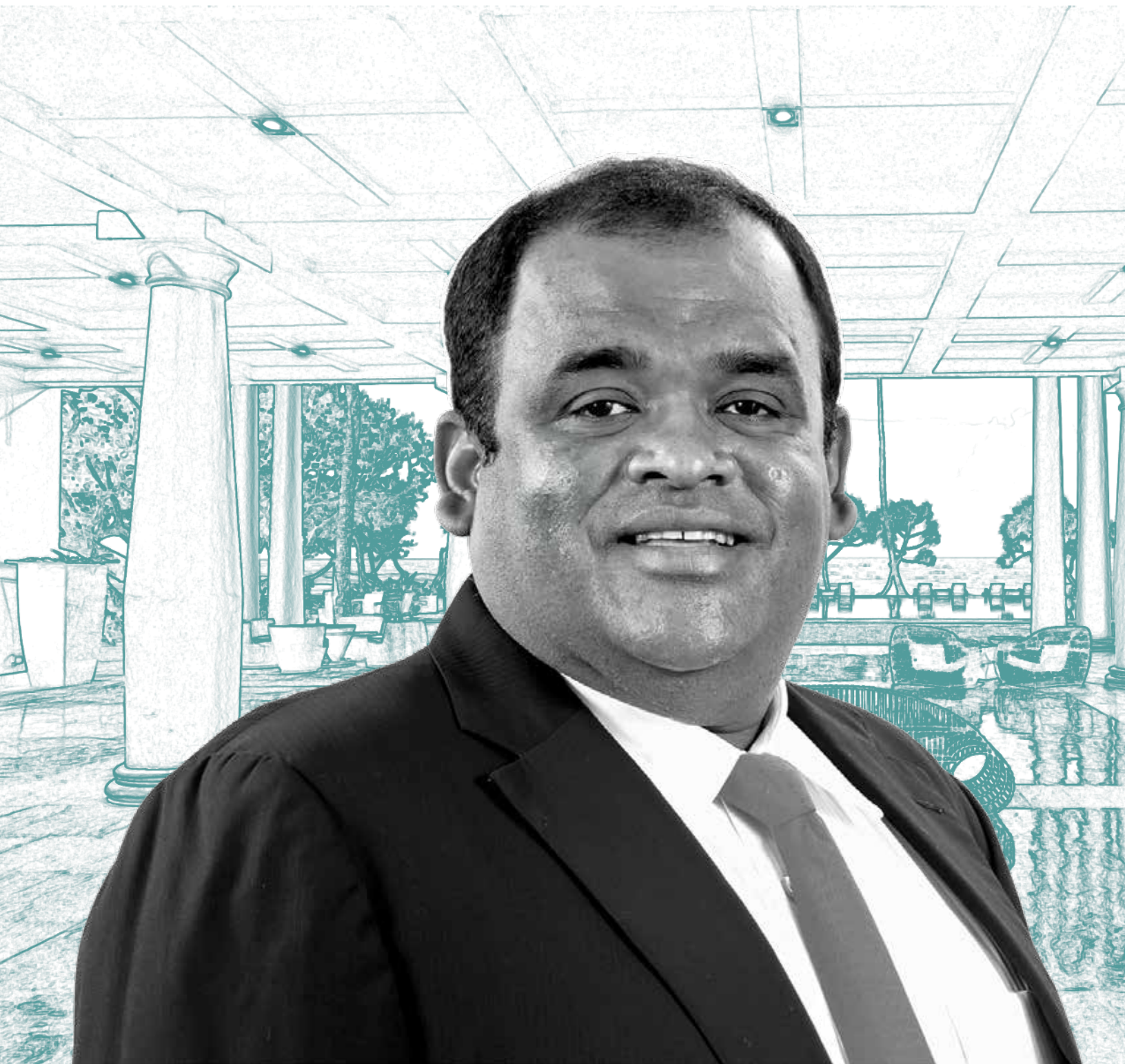


Timeless taste



Come alive in an ambience that is the epitome of comfort and luxury for a holiday experience you will never forget. Each of the Fortress' exquisitely appointed guestrooms and suits have been designed to reflect the resort's colourful charm and tranquillity, allowing guests to relax and unwind in the most stylishly decorated rooms equipped with the latest modern amenities that ensure a blissful and enthralling vacation. Each of the Fortress' 53 luxurious rooms feature full-length French windows, modern residential-style décor with contemporary Sri Lankan furnishing, and tasteful soft earth-tone shaded upholstery and cushions.

Chairman's Statement





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Designed to serve as an ode to luxurious tranquility, The Fortress Resort and Spa continues to deliver effortlessly spellbinding experiences that delight and rejuvenate the senses.

Our value proposition has been consistently refined through the unwavering efforts of our staff and management, culminating in the creation of mesmerizing, memorable travel experiences.

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Chairman's Statement Contd.

Introduction

It is our distinct pleasure to present to our esteemed shareholders, the Annual Report and Statement of Accounts of The Fortress Resorts PLC (TFR) for the year ended 31st March 2017. Consistent with the principles of our previous financial reporting initiatives, this year's report has been developed with a view to providing a clear, in-depth, and accurate assessment of the operations and performance of the Company during the year in alignment with our firmly held commitment to ensuring good governance and sustainable development across the entire spectrum of operations of The Fortress Resorts PLC.

Designed to serve as an ode to luxurious tranquility, The Fortress Resort and Spa continues to deliver effortlessly spellbinding experiences that delight and rejuvenate the senses. Our value proposition has been consistently refined through the unwavering efforts of our staff and management, culminating in the creation of mesmerizing, memorable travel experiences.

In that regard, we are pleased to note that during the year in review, TFR was once again able to consolidate extensively upon its leadership position as one of Sri Lanka's most sophisticated boutique luxury resorts. These efforts are amply demonstrated in the financial and operational highlights of the Company during the 2016/17 financial year and further evidenced through the continuing international awards received by TFR in recognition of its remarkable achievements in benchmarking luxury hospitality at a domestic and regional level. During the year in review, TFR extended its winning legacy, securing several international awards in commendation of our unparalleled

hospitality offering. Such international recognition is an important feedback mechanism for TFR while also serving as further vindication of the outstanding design, unparalleled hospitality, and of the inimitable quality of our luxurious facilities.

While the company did encounter some notable challenges during the year – largely arising out of global and domestic economic trends, we note with encouragement, the strong overall performance and extremely positive outlook for The Fortress Resorts PLC, supported by Sri Lanka's rapid emergence as a must-see destination, together with the unique charm and allure of our Southern coastal region for a wide variety of international travelers. Given our strong confidence in the growth prospects of the company moving forward, our shareholders will be pleased to note that during the year in review, The Fortress Resort made further prudent and timely investments into the expansion of physical capacity, parallel to similarly extensive training and development programmes. We are confident that such initiatives will play a vital role in positioning The Fortress Resorts PLC to attract greater numbers in future while sustaining and further augmenting our hospitality offering to dovetail with Sri Lanka's continued ascendancy as a magnet for international tourism.

Shifting Global Paradigms

The year in review bore witness to significant volatility on the international stage. These changes culminated in notable reversals of economic, diplomatic and trade policy across advanced economics. Such developments created notable ripple effects in emerging economies across the globe, particularly in the context of export-driven economies. While in the

previous financial year, the prices of international commodities remained at historic lows, the year in review witnessed marginal increase in international commodities. Most notably, the 13-year low in international crude oil prices just prior to the commencement of FY16/17 began a sudden reversal, rising from approximately US\$ 26 per barrel to close the year at a range between US\$ 50-55 per barrel. These trends created increased inflationary pressure across the globe, and was felt more strongly in import-dependent economies.

Global GDP growth in 2016 averaged out at 2.5%, well below International Monetary Fund (IMF) projections of 3.1% at the start of the year, driven down by unprecedented volatility in advanced economies, and sustained by persistent development in the emerging economic powerhouses of China, and India.

In the wake of Presidential elections in America, the global economy faced significant short term volatility as the new regime almost immediately commenced initiatives to drastically overhaul policy in several notable areas, both at a domestic and international level. Given the sheer scale of the American economy, such changes in policy are likely to generate significant uncertainty over the medium term. Most notable among these developments for the Asian region was a reversal of American commitments towards the Trans-Pacific Partnership (TPP), which prior to the election, was positioned to be the single largest trade deal on record. During the time, the U.S. economy grew at its weakest pace in three years, held back by tentative consumer spending and a weaker investment outlay. Where American GDP growth gathered vital momentum in 2015 – when growth reached 2.4% - the following year saw economic growth

plunge to 1.6%, the weakest performance on record since 2011. However, despite an initial downturn in activity, many experts project substantial improvements to the American economy over the short-medium term, contingent on the ultimate status of the fiscal stimulus package proposed by President Donald Trump.

Meanwhile, instability continues to plague the European Union, largely as a result of socio-political issues, chief among them being the on-going exit of the United Kingdom from the union. At present the exact mechanisms and implications of the 'Brexit' vote remain unclear and unpredictable, however it is encouraging to note that despite this uncertainty, the economic prospects within the European Union, particularly among its most productive economies in Germany, France, and the Netherlands, remains optimistic.

Bolstered by strong fundamentals, strong industrial productivity and a surge in renewable energy investments, the EU remains a vital component in the international economy and its performance over the coming year will be a significant determining factor for exporters across the Asian region, including Sri Lanka which relies a great deal on EU markets for apparel, tea and other vital exports. Following the conclusion of FY16/17, the results of Presidential elections in France helped soothe fears of an impending break-up of the European Union, however with major economies in the Eurozone still facing down their own elections and mixed sentiments still prevailing over hot-button issues like immigration, the uncertainty surrounding the region is expected to continue over the course of 2017.

During this time, the Euro-zone also suffered from further setbacks arising out of geo-political disputes that resulted in the imposition of economic sanctions against Russia. The resultant disruptions to trade between EU countries and Russia was another significant source of down-side risks for the region during the year in review. Given the substantial political uncertainty brewing across the EU, and the increased tension in diplomatic relations between the USA, Russia, and these dynamics could generate serious volatility in European markets over the coming financial year. Conversely, if Eurozone nations are able to once align themselves with their collective economic interests, the easing of sanctions and increased regional trade could in turn help to diffuse internal economic tensions, leading to a significantly stronger growth outlook for the region over the coming year.

Instability across advanced economies was contrasted by encouraging signs of growth across the developing economies of China, India and several other Asian peers. In China, growth contracted marginally from 6.9% in 2015 down to 6.7% in 2016, the slowest rate of growth for the Chinese economy since 1990. Given that China's growth posted a rally over the final quarter of 2016 – the first quarterly acceleration for the economy in two years – the outlook for China's growth over the first half of 2017 were positive, although the uncertainty over US-China relations and their impact on trade policy remains a key concern, as do the higher rates of Government spending and banking lending directed by the state as a stimulus to meet growth targets. With China still struggling to rebalance its economy away from a reliance on manufacturing and exports, any slowdown in global trade could be keenly felt in the country, however these impacts may be offset by improved intra-regional trade among its fast growing Asian peers. As in the case of Russia however, geopolitical tensions around the South China Sea reached unprecedented new levels during the year in review.

In comparison, the performance of the Indian economy was a much greater source of encouragement for the Asian region. During the year in review, India posted growth of 7.1%, reducing significantly when compared with the preceding year, when growth stood at 7.93%. Growth across all sectors of the Indian economy – with the exception of its agriculture sector which posted positive gains on the back of a favorable monsoon season - recorded subdued performances however, a substantial aspect of this reduction in growth was due to a series of reform-oriented policies focused on trade liberalization and the resultant restructuring triggered across key sectors of the Indian economy. These policies culminated in a sharp cash shortage following Prime Minister Narendra Modi's surprise announcement in November to remove India's highest value bank notes from circulation. The demonetization drive wiped out 86% of India's currency as part of wider initiatives aimed at ending tax fraud, corruption and pushing India toward digitisation. Having since resumed circulation of new bank notes, it remains to be seen just how effective the demonitization drive was in terms of expanding tax collections across into the country's sizeable informal economy, while digitization efforts are proceeding at an impressive pace, and will likely yield substantial benefits for the country over the medium-long term.

Chairman's Statement Contd.

Global Tourism Market

Despite these notable global headwinds, the international tourism industry posted notable gains over the course of 2016, which incidentally, stood as the seventh consecutive year of sustained growth for the industry on global scale. International tourist arrivals grew by 3.9% to reach a total of 1,235 million, according to the latest UNWTO World Tourism Barometer. Some 46 million more tourists (overnight visitors) travelled internationally last year compared to 2015.

The Asia Pacific region in particular posted the highest gains in arrivals during this period, reaching growth in excess of 8%, fueled by strong demand from both intra- and interregional source markets. On another encouraging trend over the past year was an overall increase in average tourist spending, consistent with the growth in tourist arrivals during this time. In particular, spending among Chinese tourists recorded a sharp 12% Year-on-Year (YOY) increase up to US\$ 261 billion, serving to further consolidate China's position as number one source market in the world since 2012, following a trend of double-digit growth in tourism expenditure every year since 2004.

The situation among traditional tourist spenders in the Euro region remained relatively consistent despite the ongoing socio-political upheavals in the region with Germany, the United Kingdom, France and Italy leading tourist spending among European markets.

Based on current trends, the outlook of the UNWTO Panel of Experts and economic prospects, UNWTO projects international tourist arrivals worldwide to grow at a rate of 3% to 4% in 2017. Europe is expected to grow at 2% to 3%, Asia and the Pacific and Africa both at

5% to 6%, the Americas at 4% to 5% and the Middle East at 2% to 5%, given the higher volatility in the region.

Sri Lankan Economy

Mirroring weaker growth momentum witnessed across the global economy, the pace of the Sri Lankan economy too posted marginal contractions in 2016, with GDP growth dipping from 4.8% in 2015 down to 4.5% in 2016. During the year in review, the historic low-inflation environment witnessed around the globe in 2015 began to record a reversal, on the back of rising commodity prices and the announcement of OPEC oil production cuts. Domestically, this resulted in more pronounced fluctuations in inflation rates which commenced the year at 2% only to thereafter record major spikes across the first half of 2016, before finally stabilizing in mid-single digits by the end of the second half, finally concluding the year at 4.1%.

During this time the Sri Lankan rupee continued to depreciate against a stronger US Dollar falling from Rs. 144 down to Rs. 150, generating further inflationary pressure as a result of the country's large import bill. A stronger dollar combined with increased Government spending and the partial repayment of maturing bond.

Nevertheless, provisional figures indicate that Sri Lanka's primary budget deficit fell to Rs. 84 billion at the end of 2016, performing better than the IMF's stipulated target of Rs. 97 billion, while tax revenues also recorded notable improvements, rising from Rs. 1.36 trillion up to Rs. 1.46 billion (this should be 1.46 trillion) at the end of the period in review.

The country's growth momentum was primarily sustained through its industries and services sectors while adverse

weather conditions drastically hindered growth in the agriculture sector. External sector performance during this time posted marginal contractions with cumulative export earnings for the first ten months of 2016 dropping 2.6% YoY to US\$ 8.62 billion reflecting lower proceeds from agricultural exports.

Meanwhile, despite initial expectations of a reduction in worker remittances, largely due to overall weakness in key markets across the Middle-East, Sri Lanka recorded its highest expatriate worker remittances to the country during the last year, crossing US\$ 7.24 billion, as compared with 2015's figure of US\$ 6.98 billion.

While there were several encouraging signs witnessed in across key macroeconomic indicators, Sri Lanka's vulnerability to exchange rate fluctuations, largely as a result of high exposure for foreign currency debt stands as a major risk to the overall resilience of its economic growth. The most current estimates on public sector debt stand at 74.9% of GDP in 2016, with an estimated 43 percent of Sri Lanka's stock of central government debt being denominated in foreign currency meaning that any significant exchange rate depreciation would again put public debt on a rising trajectory.

Sri Lanka's usable international reserves during the same period were estimated at US\$3.0 billion as of January 2017, representing less than two months' coverage of current account payments. These reserves include drawings on currency-swap facilities of US\$700 million with the Reserve Bank of India (RBI), introduced in March 2016.

While the country's present macroeconomic performance displayed

somewhat mixed results, it is crucial to keep in mind the as-yet untapped potential of the island. Infrastructure development is a natural first priority, and in that regard, we note with great encouragement the rapid development of commercial and residential space in the Western Province and in urban and commercial hubs across the island. Particularly in Colombo, the Government has placed top priority on a host of major projects including the Port City project, the Greater Colombo Megapolis project and a host of other notable projects that will reshape the Colombo skyline. With this shift into a more globalized commercial hub it is anticipated that Sri Lanka will be able to improve its ability to attract Foreign Direct Investment, although the success of future reform initiatives to streamline processes and improve ease of doing business will be crucial to such an endeavour.

In that regard, the Government was also able to make important progress towards rebalancing Sri Lanka's diplomatic, international and trade relations. In the year that has passed, the country was able to secure GSP+ facilities from the European Union and similar efforts are also being channeled towards the improvement of bilateral trade between major regional economies including Pakistan, India, and China. Given the rising prominence of these economies and the continuing instability in Sri Lanka's traditional export markets, it is very likely efforts to improve Sri Lanka's ability to trade within the Asian region could prove pivotal to the country's medium-long term growth prospects.

Increased Tourist Arrivals Offset by Increasing Domestic Competition

Sri Lanka's booming tourist sector continues to be one of the most promising sectors in the domestic economy. During the year in review, tourist arrivals to the country continued to soar, reaching a historic 2,070,967 arrivals as at the end of FY16, reflecting 8.8%YoY growth. Increased arrivals ran parallel to a substantial 14% YoY improvement in earnings generated from tourism, which at the end of the year in review, stood at a remarkable US\$ 3.4 billion.

These figures are estimated to grow substantially over the coming year with current projections estimating 2.5 million tourist arrivals by the end of 2017, which in turn is anticipated to bring in over US\$ 4 billion in tourism earnings.

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On another encouraging trend over the past year was an overall increase in average tourist spending, consistent with the growth in tourist arrivals during this time. In particular, spending among Chinese tourists recorded a sharp 12%Year-on-Year (YOY) increase up to US\$ 261 billion, serving to further consolidate China's position as number one source market in the world...

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Chairman's Statement Contd.

India and China now account for the largest two sources of outbound travel into Sri Lanka, with India accounting for approximately 355,673 arrivals to Sri Lanka, followed by China with 272,885 arrivals and the United Kingdom with 190,419 arrivals. Notably, arrivals from all of the top ten countries visiting Sri Lanka recorded increases over the previous year, another clear indicator of the health and potential of our industry. Particularly given that the World Travel and Tourism Council (WITC) estimates that the direct and total contribution of Sri Lanka's travel and tourism sector to GDP and employment may actually significantly higher than the World and Asia Pacific averages as well, the vitality which the tourism industry brings to the wider economy means that the development of the tourism and hospitality industry will be central to Sri Lanka's economic trajectory moving forward.

While these figures are all extremely encouraging, the Sri Lankan tourist industry also faces a series of major obstacles in preparing for such a sizeable influx of tourists into the island. Investments in training and development, capacity expansion, and sustainability will be absolutely critical to the success and health of the industry moving forward. Sustainability in particular must be examined and addressed with utmost care in order to ensure that Sri Lanka's main attractions – its exceedingly rich natural and cultural heritage – are preserved and nurtured in a manner that will ensure that they survive for years to come, and in so doing, preserve the intrinsic character and quality of the quintessential Sri Lankan holiday experience.

Having generated turnover in excess of Rs. 625.4 million during the year in review, The Fortress Resorts PLC was able to post a substantial profit of Rs.

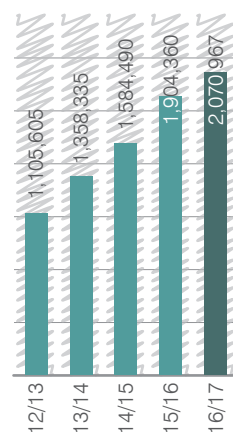
134.9 million. While our performance during FY16 was not as strong as in the preceding year, when higher occupancy rates enabled stronger revenue growth, we remain satisfied with the performance of the company, particularly given the substantial increases in competition as new operators – spanning small boutique hotels and villas to larger franchise operators – opened up during the period in review. From a geographic standpoint as well, we face increased competition from other areas of Sri Lanka, particularly with regard to the country's scenic Eastern coastal belt which has seen a major influx of travelers to the region as new properties were established and road networks in the area improved.

Looking to the Future

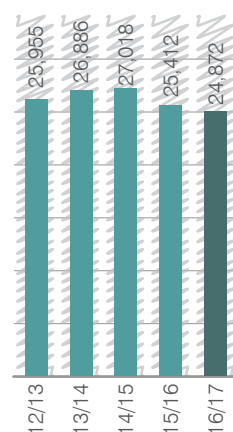
At present Sri Lanka is confident of escalating tourist arrivals and our key challenge therefore is to prepare for these increases while maintaining the status of The Fortress Resort and Spa as Sri Lanka's premier luxury resort experience. In that regard, significant resources were invested into a major refurbishment of several parts of the property including guest rooms, public areas and the food and beverage areas.

These efforts are being further complemented by in-house training programmes and further external agreements with leading hospitality education partners to absorb new talent into our organization. Meanwhile, the company's efforts to establish a new presence in Mirissa through the construction of a 66 guest rooms with all other 5 star class facilities is well underway and steps are already underway to complete acquisition of land for the same.

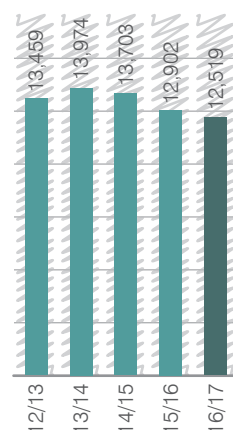
Tourist Arrivals to Sri Lanka (Nos)



Tourist Arrivals to Fortress (Nos)




Room Nights Sold



Meanwhile, we continue to place a strong emphasis on marketing and branding, and during the year in review, the company was able to successfully conclude a series of road shows in the UAE, Russia, Australia, the United Kingdom, Germany, France and India. Combined with the continuous improvements to our facilities and hospitality offering, we are extremely confident in The Fortress Resort and Spa's ability to maintain and further consolidate upon its position as one of the single-greatest travel and hospitality experiences in Sri Lanka.

Acknowledgements

In conclusion, I wish to convey my sincere appreciation to my colleagues on the Board for their unstinted support and cooperation and the entire team of employees led by the senior management team whose dedication, talents and an unwavering professionalism have been the driving force behind the continued success of The Fortress Resorts PLC. I also wish to extend my sincere gratitude to our valued stakeholders, including our network of suppliers and travel partners; their support and cooperation has been vital to our efforts to craft unique experiences for our esteemed guests and we look forward to working with them over the coming year in order to continue crafting sensational and memorable holidays for all our guests. To our Shareholders, my most sincere thanks for being our support throughout the years. We are pleased to partner you as we move forward to meet the fresh challenges that the next year will bring.



Dhammika Perera
Chairman

16 May 2017

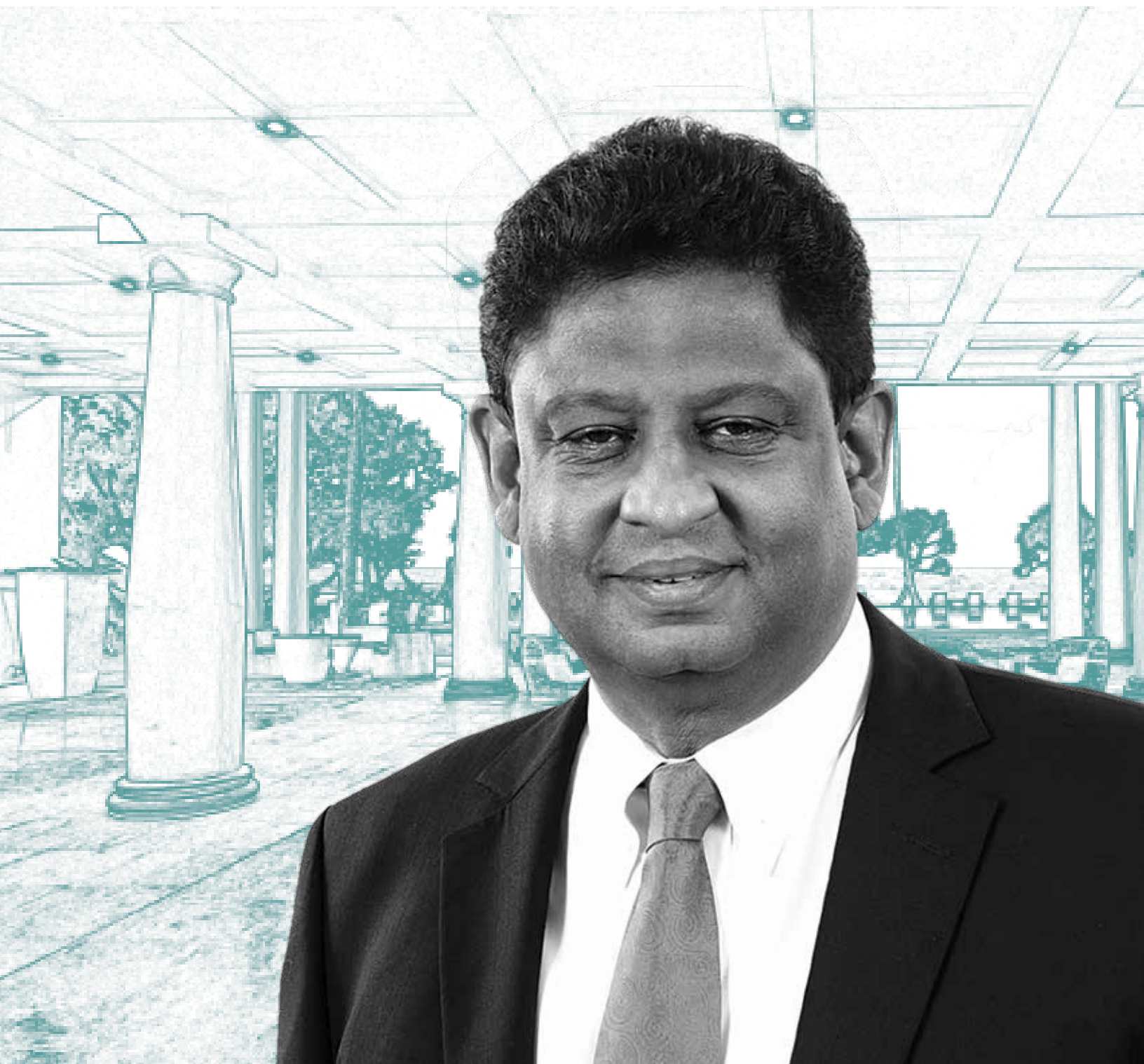
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Sri Lanka's booming tourist sector continues to be one of the most promising sectors in the domestic economy. During the year in review, tourist arrivals to the country continued to soar, reaching a historic 2,070,967 arrivals as at the end of FY16, reflecting 8.8%YoY growth.

Increased arrivals ran parallel to a substantial 14% YoY improvement in earnings generated from tourism, which at the end of the year in review, stood at a remarkable US\$ 3.4 billion.

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CEO's Review





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During the financial year ended 31st March 2017 (FY16) your hotel recorded marginal reductions in occupancy rates which contracted from 67% down to 65% during the year in review. This represented a slight reduction in room nights from 12,903 down to 12,519 and was primarily driven by the stated rise in fierce competition from new entrants that span the informal and boutique providers all the way up to reputed international luxury hospitality franchises which established operations in Sri Lanka over the recent past.

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CEO's Review Contd.

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As a tourist destination, one of our greatest strengths is in the sheer diversity that can be found at almost every turn, and this diversity is also reflected in the composition of tourist arrivals to Sri Lanka. While these dynamics open up many new opportunities for growth for our Company...

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Dear Stakeholder

It has been another rewarding, but challenging year for The Fortress Resorts PLC during which time we have been able to make strong and commendable progress towards the further consolidation of our status as one of Sri Lanka's most unique luxury resort experiences. However we are always cognizant of the fact that any further extension of our leadership position can only be achieved through the continuous adaption of our business, our facilities, and our service offering in order to meet the constant evolution of demand that remains an inherent part of the tourism and hospitality profession.

The idyllic location and design of our 53-room boutique property on the sunny coastline of Koggala stands as an oasis of tranquility which continues to draw international travelers from all parts of the globe seeking rest, relaxation and rejuvenation – a reputation which has enabled the Fortress Resort and Spa to remain as a market leader along the Southern costal belt. However, unlike in years and decades past, today, Sri Lanka is charting a rapid ascent into the awareness of international travelers and with this significant increase in prominence and attention we have witnessed a commensurate surge in tourist arrivals to Sri Lanka.

As a tourist destination, one of our greatest strengths is in the sheer diversity that can be found at almost every turn, and this diversity is also reflected in the composition of tourist arrivals to Sri Lanka. While these dynamics open up many new opportunities for growth for our Company, they naturally present an enticing option for foreign and domestic investment. Competition is therefore on the rise and despite the upsurge in tourist arrivals, improving our occupancy rates in the face of mushrooming growth in hospitality providers catering to the various different market segments continues to be a significant challenge.

During the financial year ended 31st March 2017 (FY16) your hotel recorded marginal reductions in occupancy rates which contracted from 67% down to 65% during the year in review. This represented a slight reduction in room nights from 12,903 down to 12,519 and was primarily driven by the stated rise in fierce competition from new entrants that span the informal and boutique providers all the way up to reputed international luxury hospitality franchises which established operations in Sri Lanka over the recent past.

In that regard however, we take encouragement in the benefits that our leadership status affords us. During the year in review, we were able to make tremendous progress towards the further refinement of our facilities and service offering through an extensive refurbishment programme together with notable expansions to our fine-dining options and the addition of regular events that also serve as an attractive option for guests that stay in surrounding villas and those that are travelling through the area.

Financial Highlights

The above described reduction in occupancy rates was the primarily limiting factor on the financial performance of the Company during FY16/17 with room revenue accounting for the majority of reductions in overall turnover. During the year in review, the company posted a total revenue of approximately Rs. 652.4 million, as compared with a previous Rs. 672.5 million in FY15/16.

During this time, room revenue fell from Rs. 433.7 million down to Rs. 386.1 million while average room rates also posted a marginal decrease from Rs. 33,606 in FY15/16 down to Rs. 30,844 in FY16/17. However we note with encouragement that all of our other revenue generating segments recorded relatively stable performances while food revenue in particular, posted an improved performance, increasing from Rs. 154.5 million in the previous year, up to Rs. 156.2 million during the year in review.

Meanwhile, beverage revenue remained relatively consistent at Rs. 58.4 million, as compared with Rs. 58.6 million in FY15/16. Similarly, revenue generated by our spa facilities posted a slight reduction from Rs. 25.8 million in 2015/16 down to Rs. 24.6 million during

the period in review. Particularly given the reductions in occupancy rates, and their impact on room revenues, it is an extremely encouraging sign that our other revenue generating segments were less affected by the downturn and their outstanding performance over the past year stands as further validation for our efforts to develop a well-rounded, holistic hospitality value proposition.

The company's topline performance was further bolstered by notable improvements to other income, which rose from Rs. 30.9 million in the previous year to Rs. 33.5 million during the year in review. Operating costs during this period also posted some limited increases, closing the year at Rs. 547.7 million, as compared with Rs. 497.8 million in the previous financial year.

As mentioned previously, the Company has been working to extensively refurbish its entire property in phases, and during the year in review, this programme continued at a steady pace. However, as a result we note that borrowings for the year recorded a notable increase to Rs. 26.1 million, as compared with just Rs. 6.45 million in the previous year.

The renovation and refurbishment programme that was undertaken amounts to the first major hotel-wide initiative that has been undertaken in the last 10 years. Hence the decision to initiate an extensive renovation programme was taken at a strategic level by the Board of Directors, particularly given the anticipated surge in tourist arrivals to Sri Lanka over the short-medium term.

The program will include a refurbishment of the guest rooms, public areas and the food and beverage areas. Two model rooms with new interiors have been

completed for guest review and the new furniture for the Public Areas and Restaurants has been purchased and has already been put in place. Moving forward, the hotel plans to invest a further Rs. 80 million towards the completion of this renovation program.

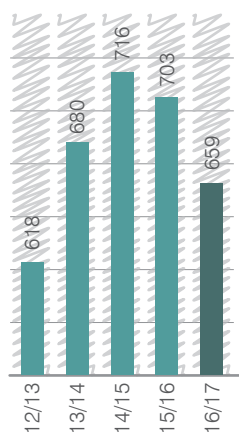
Given the ability of the Fortress Resorts PLC to maintain healthy cash flows even during periods of lowered occupancy rates, and throughout the extensive refurbishments being carried out, we remain completely confident in the company's ability to efficiently service these debts within a reasonable span of time and in a manner that - above all else - provides the best fiscal outcomes for the company.

When considering the substantial investments that are being made towards the improvement of our facilities, it is also worthwhile mentioning the positive impact that these investments have had on the total asset base of the company which, during the year in review, expanded to Rs. 1.79 billion, as compared with Rs. 1.64 billion in the previous year. In that regard, we also note with satisfaction through the concerted efforts of our staff and construction partners, we have been able to ensure that the renovations that were carried out were done with minimal disruption to the holiday experiences of our guests, which remains our team's utmost priority.

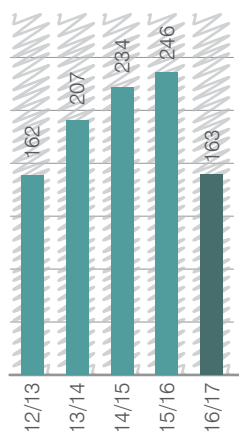
Moving forward, the next major step in our renovation programme will the complete reconstruction of our existing lobby to feature a timber finish. As a result, the hotel will be closing operations from 12th June to 25th July 2017, and we will also use this time to modify the interior of a further 30 rooms.

CEO's Review Contd.

Turnover (including other income) (Rs. Mn)



Profit Before Tax (Rs. Mn)



Among the other notable investments completed during the year in review was the opening of a new seafood restaurant – The Salty Snapper. The new restaurant, which was constructed through an investment of Rs. 15 million, was designed with a view to further enhancing the wide range of sumptuous food and beverage options available to our valued guests, in the backdrop of a stylishly elegant setting, including lavish Dedon outdoor furniture and enthralling architectural features consistent with the tropical colonial- design of the Fortress Resort.

As demonstrated in the positive performance of the company's restaurant income for the year, our investment is already beginning to yield significant returns for the hotel, in line with our strategy to attract greater numbers of visitors to the hotel to sample our exquisite cuisine and winning dining experiences.

These investments are further complemented by marketing integrated marketing initiatives that highlight the cornucopia of attractive fine dining options available at the Fortress Resort and Spa. The hotel is features 'Duo' – our fine dining restaurant, 'White' for all-day dining and the 'Sea Lounge' and 'Pool Bar' which are open to serve any beverage requirement for our guests. Through the organizing of three themed dinner nights for in-house guests and visitors from neighboring properties, our restaurants have become a popular fixture in the area and we anticipate significant opportunities for growth through the addition of our most recent restaurant facility.

A Growth-Oriented Strategy

Consequent to this remarkable overall performance in the face of some significant challenges in our general operating environment, our shareholders will be pleased to note that The Fortress Resorts PLC was able to once again prove its tremendous resilience during the period in review.

While we were unable to match our previous year's performance, when the company posted a profit of Rs. 187.8 million, given the reduced average occupancy rates for the year, the volatility in international tourist markets referenced in our Chairman's review and the substantial investments which the company has directed towards refurbishment, training and skills development, Information Technology and multiple other areas, the company's profit of Rs. 134.9 million is highly commendable.

In that regard we wish to register our sincere gratitude to our valued guests, our loyal suppliers and our the absolutely vital contributions from our team of employees which together made this performance possible and enabled The Fortress Resorts PLC to deliver Earnings per share of Rs. 1.22 for the period ended 31st March 2017, as compared with a previous Rs. 1.69 per share.

It is important to remember that our financial performance for the year must also be considered in light of the strategic investments that your company is now making in order to ensure that we are in the best possible position to capitalize on the extremely promising outlook for the Sri Lankan tourism and hospitality industry over the medium-long term.

Particularly in light of the fact that our existing property cannot be further expanded due to a lack of available space and related limitations, the Company remains cognizant of the need open up new avenues of growth and during the year in review, took important steps towards this end through its investments into a new venture.

Under the prudent guidance and oversight of our Board of Directors, the company has made excellent progress towards the establishment of its first independent hospitality property.

The new venture will be comprised of an 66-room luxury resort featuring 5-star class facilities and amenities set on a stunning piece of land on the popular Mirissa coastal region. Particularly in recent years, Mirissa has witnessed a remarkable transformation into a bustling new tourist hot-spot and we are extremely confident in potential that this location will have to create another unique, resort featuring the same seamless brand of tropical elegance for which the Fortress Resorts and Spas have become internationally renowned.

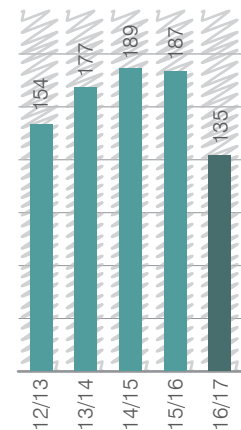
An application for the necessary approvals has been filed with Sri Lanka Tourism Development Bureau and the Board of Investment of Sri Lanka and the company has already invested Rs. 364 million during FY16/17 towards the acquisition of land for the new hotel project. In particular, our shareholders will be pleased to note that planning work on the property has already been completed in addition to land clearing, geographic investigations.

Additionally, architectural, and structural engineering plans have also been completed and necessary applications have also been filed for water and electricity facilities. Meanwhile approvals from the Board of Investment have already been completed while Tourist Board officials have also completed their initial reviews of the proposal and on-site reviews hence we are confident that the next phase of development will be commenced on schedule during the coming financial year.

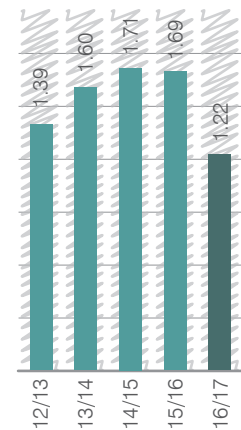
Collective, Concerted Sustainability

A major theme that is developing across the global hospitality industry, as with many other aspects of the economy and daily life, is that of sustainability. Globally an overwhelming consensus is in the process of development yet the significant of these changes in attitudes are clearly visible today. This is an area which international travelers are paying increased attention to, however we believe that the benefits of developing operations that are truly sustainable have a sound underlying business case. However, we also remain aware of the fact that in terms of energy and resource consumption, the demands of the hospitality industry tend to be quite substantial, especially when compared against other types of service-sector enterprises. In that regard, our company adopts a multi-faceted approach towards sustainability encompassing the economic, environmental and social sustainability of our operations – the details of which will be elaborated on in subsequent chapters of this annual report.

Profit After Tax
(Rs. Mn)



Earnings Per Share
(Rs.)



CEO's Review Contd.

Human Resources, Training and Recruitment

Perhaps one of the most important driver of our success in all three of these areas of sustainability is our team of employees. In that regard, effective Human Resource Management is very much at the core of our operations and we are pleased to note that during the year in review, the Company was able to continue its investments into the training and development of our team. A total of Rs. 1.12 million was invested in staff training during the year, as compared with Rs. 4.53 million in the previous year while a further Rs. 1.62 million was paid out as employee welfare in FY16/17, as compared with Rs. 1.9 million in the previous year.

A key challenge for the tourism and hospitality industry is a lack of experienced staff in key operational areas such as in Kitchen / F & B / House Keeping and Front Office positions. Meanwhile, the demand for employees in these sectors is growing at a substantial rate as larger international hotel franchises make their way into the Sri Lankan market. In that context, recruitment continues to be one of the most important obstacles to operational sustainability for the company and the wider hospitality industry.

Keeping these challenges in mind, we continue to place top priority on training for our team, including in-house department training programmes that are carried out during the off-peak seasons in addition to English classes and several other initiatives all of which are aimed at upskilling our employees and empowering with new and advanced skills.

A notable development in this regard was the signing of agreements between the hotel and the NAB and SLITHEM

to train their students in the hotel as part of their curriculum. The hotel has been conducting similar training programmes for the past five years, and on average, we have been able to enroll approximately 20 students per annum at minimum. This is an initiative which we hope will be emulated by our colleagues and contemporaries in the hospitality industry as a matter of course, given the vital industry-wide need for more people to enter the profession and the importance of acquiring on-the-job training in order for hospitality students to enter the profession with a sufficient degree of skill. Our experience with such programmes has been extremely positive and we are generally able to absorb about 5-10 students each year into our permanent cadre.

Adapting to the Age of Digital Tourism

Our economic sustainability also hinges on our ability to leverage new technological resources and bring them to bear in meaningful ways within our business model. During the year in review, we introduced a new mobile app – Hinstant – a breakthrough hotel concierge and marketing platform which allows hotel guests to browse and order their favorites items or services quickly and conveniently through their mobile phones.

During the year in review, the hotel completed an initial investment of Rs. 0.5 million on this project and plans are in place to further enhance the platform's services to enable visitors from outside the hotel to also place orders through their mobile phone prior to checking in at the hotel. The platform will also include an online payment gateway, eventually enabling mobile payments for the wide range of services they order and we anticipate that this new feature will

become extremely popular with guests moving forward.

Similarly, the hotel also enabled IPTV facility in the guest rooms during the year at a cost of Rs. 0.9 million, allowing guests to watch free movies while also enabling the hotel to promote F & B activities, excursions and other diversions through the system.

A Firm Commitment Towards Ensuring a Pristine Environment

As we acknowledged previously, the hospitality industry is a sector which tends to consume large quantities of energy, water and other important resources. In that regard, the company continues to explore options for optimizing as far as possible its water and energy consumption through the usage of more energy efficient lighting and similar technologies aimed at optimizing water consumption.

In that regard, one of the hotel's flagship project towards mitigating its environmental impact has been through its efforts to establish an organic home garden, mainly to grow fruits and vegetables for use in the hotel's cuisine. Since its establishment in the previous financial year - through an investment of Rs. 2 million towards the development of infrastructure for the garden, including a well, and extensive irrigation systems over a three year period - the garden has become a highly successful venture for the company and is now producing substantial, quality, organic harvests.

	2016 / 2017 Rs,	2015 / 2016 Rs,
Investment to develop the garden	344,956	1,100,000
Vegetables harvested	815kg	626kg
Fruits harvested	1351kg	426kg
Coconuts	1,680 Nos	1490 Nos

During the year in review, further preliminary steps were also taken to partner with the prestigious Green Globe organization to achieve certification for the hotel in near future and we are pleased to report that already, 75% of the certification's requirements have already been met and we anticipate that the certification process should be completed within the coming financial year.

It was also brought to the Management's attention during the year in review that the children's park located in the left wing of the hotel was getting extremely busy during weekends and school holidays and littering had become a problem in the area as a result. Hence the hotel took steps to provide garbage bins and overlook collection and cleaning of the park and around the areas typically used for sea baths on a daily basis. The hotel made an initial investment of Rs. 60,000 towards this project and will continue to take it forward in the coming years as part of our commitment to ensuring that our premises and its surrounding environment is maintained in a pristine condition.

Incorporating Local Communities

Traditional dance events and cultural shows are also an important facet of the holiday experience and we have consistently worked to find new ways in which local communities including dance troupes from nearby communities can be incorporated into the entertainment schedule of the hotel. Similarly the hotel also organizes its theme nights around the promotion of ancient art forms, which enables local communities again to interact with our guests and provide them with organic contact with Sri Lanka's rich culture, while also serving as a vital source of income for these communities, with some performers and artisans even being invited back to other countries to perform and help showcase Sri Lanka to the world.

To promote and create demand for Sri Lanka's high quality handicrafts, we continue to support local craftsman by purchasing their wares to both resell at our boutique as well as present to guests as tokens of appreciation.

Additionally, the hotel also consistently gets directly involved with local communities and during the year in review, we were able to continue this legacy through an investment of Rs. 0.45 million towards the presentation of gift vouchers to children of our staff to support them in purchasing school books under the Fortress Future Learners programme.

An Environment of Mixed Opportunity

Moving forward, the key challenges for The Fortress Resort PLC will most likely be as a result of the drastic increase in competition in the domestic hospitality industry across all sectors. Many hotel developers have capitalized on the opening up of the East coast and constructed new and star class facilities that offered low rates of stay and also had the advantage of less travel time from the capital city of Colombo. While these are certainly difficult to contend with, we are confident that as our industry develops, each area of Sri Lanka's

Artists	Revenue Distributed in 2016/17 Rs.	Revenue Distributed in 2015/16 Rs.
Handicrafts	660,176/=	878,803/=
Paintings	1,566,050/=	1,778,650/=
Reed ware	200,110/=	9,100/=
Others	2,491,716/=	2,582,971/=
Total	4,918,602/=	5,189,524/=

CEO's Review Contd.

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During FY16/17, we invested Rs. 7.1 million towards the promotion of the hotel in major tourist markets like the United Kingdom, Australia, Russia, Germany, France and India as compared with Rs. 7.56 million for overseas marketing events during FY15/16.

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coastline will continue to develop its own unique character in an organic manner. In this way, we are confident that by weaving The Fortress Resorts and Spa into the tapestry of the Koggala region, we will ensure continued prosperity for our company, our esteemed shareholders, and all of our valued stakeholders. In that context, the investments that we have made during the year will play an important role in moving us towards this goal.

We also face competition from small boutique hotels and villas, many of which are now owned by foreign expatriates who are able to more easily promote and market their properties in their own countries and regions. Marketing therefore continues to be an important priority for the Company. During FY16/17, we invested Rs. 7.1 million towards the promotion of the hotel in major tourist markets like the United Kingdom, Australia, Russia, Germany, France and India as compared with Rs. 7.56 million for overseas marketing events during FY15/16. Moving forward, we will continue to promote our properties in foreign markets, both directly and indirectly through our travel partners. These initiatives will be complemented by further initiatives targeting social media and other new media, in addition to traditional marketing campaigns.

Another highly challenging factor for our industry is the socioeconomic volatility that is spreading throughout important tourist markets across the European Union, Russia, and the Middle East. Globally, there is concern as to whether international tourism maybe limited by the economic volatility of developments like Brexit, economic sanctions against Russia, and the impacts that such developments will have on their respective currencies.

Already, the depreciation of the British pound has had negative impacts on topline revenues for the company, given that the United Kingdom remains our number one source market, generating more than one-third of total hotel revenue for last five years. GBP depreciated against rupee by 8% during the year and it will not be anticipated to post a recovery for at least another two to three years.

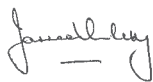
In that regard, the year ahead will undoubtedly pose many challenges, especially from the perspective of global tourism, where the outlook is rather not seen and future trends cannot be predicted. Nevertheless, international tourism continues to display significant resilience, even in the face of unprecedented

sociopolitical volatility and with Sri Lankan tourism itself poised to enter into a new era as current projections estimate approximately 2.5 million arrivals to the country in 2017, our overall outlook continues to be highly positive. We are extremely confident that The Fortress Resorts PLC is now well positioned to meet this influx and will continue to maintain our premier market position despite the increasingly competitive domestic hospitality environment.

Acknowledgements

At the conclusion of another eventful financial year, I would like to express my appreciation to the Chairman and Board of Directors whose vision and acumen have been instrumental in guiding the Company and empowering us to excel, notwithstanding the market challenges.

I wish to express my sincere gratitude to our team of employees who continue to diligently serve our company as we work together to extend the rich legacy of The Fortress Resorts and Spa and I look forward to working with them in our collective pursuit of excellence in all areas of operations by raising the bar of hospitality even higher to provide luxurious, unforgettable experiences for our guests in the months and years to come.



Sumith Adhihetty
Managing Director

16 May 2017
Colombo

Board of Directors



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Board of Directors Contd.

1

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

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

2

Mr. J A S Sumith Adhihetty

Managing Director

A well-known professional in the marketing field, he counts over 37 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.

3

Mr. Malik J. Fernando

Director

Mr. Malik Fernando was appointed to the Board of The Fortress PLC in 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.

4

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.

5

Mr. C J Wickramasinghe*Director*

Mr. Chandra J. Wickramasinghe counts over 37 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. Wickramasinghe is a Board Member of Sri Lanka Tourism Development Authority (SLTDA). He is also the Founder President of Alliance Francaise de Kotte.

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

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

6

Mr Suranimala Senaratne*Director*

Mr. Suranimala Senaratne counts over 37 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.

Board of Directors Contd.

7

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.

Director of Royal Ceramics Lanka PLC, Executive Director of Hayleys PLC and serves as the Managing Director of Amaya Leisure PLC, The Hotel Services Ceylon PLC, Hunas Falls and Sun Tan Beach Resorts Ltd. He is also a Director of The Fortress Resorts PLC, and Kelani Valley Plantations PLC, Royal Porcelain (Private) Limited, Royal Ceramics Distributors (Pvt)Ltd, Rocell Bathware Limited, Culture Club Resorts(Pvt) Ltd and Kandyan Resorts (Pvt) Ltd

8

Lalit N de Silva Wijeyeratne

Director

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

He is presently a Director of DFCC Bank PLC, L B Finance PLC, Talawakelle Plantations PLC, Nuwara Eliya Hotels PLC, Rockland Distilleries (Pvt) Ltd, The Hotel Services Ceylon 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.

9

Mr. Denesh Eric 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 and is a Member of the Institute of Hospitality (UK).

He is a Director of Amaya Leisure PLC, The Hotel Services Ceylon PLC, Maalu Maalu Resorts and Spa, Hunas Falls Hotels PLC, Delair Travels (Pvt) Ltd, Sun Tan Beach Resorts Ltd, Culture Club Resorts(Pvt) Ltd and Kandyan Resorts (Pvt) Ltd

Mr Silva currently functions as the Head of the Marketing Sub-Committee and Committee Partner of the Hotels Association of Sri Lanka. He is the immediate Past President and current Committee Member of the Travel Trade Sports Club, Vice Chairman of the Pacific Asia Travel Association-Sri Lanka Chapter and an active Member of SKAL International, Colombo. He is additionally an All Island Justice of the Peace.

10

Mr. Jan Peter Van Twest*Director*

Mr. Jan Van Twest counts over 37 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.

11

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.

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 16 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

Ms. Kawshi Amarasinghe*(Alternate Director to Mr. Dhammika Perera)*

Ms. Kawshi Amarasinghe was appointed to the Board of The Fortress PLC as the Alternate Director to Mr. Dhammika Perera, Chairman, in November of 2015.

Presently, she is the Junior Assistant Manager, International Business Development and CSR, for Vallibel One PLC.

Previously, she was attached to the World Conference on Youth Secretariat, Ministry of Youth Affairs and Skills Development as the Manager.

She is a Bachelor of International Studies from University of Queensland, Australia and she completed her Intern at the Department of Community Safety, Strategic Policy Division, Queensland Australia. And also she holds a certificate in hotel revenue management from Cornell University USA. She specialized in international relations and French studies at University of Lausanne in Switzerland. Ms Amarasinghe also holds a Diploma in International Relations from Bandaranaike Center for International studies Colombo 07.



Unending indulgence



Rejuvenate your being with a meticulously proven array of therapies that are designed to awaken your spirit and replenish your body and soul. A special bath is offered complimentary in conjunction with other water therapies where you can indulge in a hot steam bath or lounge in the soothing warmth of the sauna. Our signature treatment are heavily influenced by Ayurveda and use locally-sourced, natural ingredients to provide your mind, body and spirit with only the very best.

Management Discussion and Analysis

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While anticipation is high for US economic growth, the country's political environment continues to be a significant downside risk to growth, as already evidenced by a GDP growth rate of 1.6% YoY in 2016; its slowest pace in three years. However the International Monetary Fund (IMF) currently estimates that US growth will recover to 2.3% in 2017.

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Global Economic Overview

It was another year of generally sluggish economic activity in the global economy, however a notable uptick in momentum over the second half of 2016, resulted in advanced economies registering improved growth despite the unprecedented socio-political volatility that was persistently prevalent across these markets over the entirety of 2016.

Global GDP growth in 2016 averaged out at 2.5%, well below International Monetary Fund (IMF) projections of 3.1% at the start of the year, driven down by unprecedented volatility in advanced economies such as the European Union and Japan, and intense geopolitical uncertainties in the Middle East, but sustained in part by resilient growth in the sizeable economies of China, and India, the continuing normalization of monetary policy in the United States.

Among the most significant developments for the year were the notable reversals of economic, diplomatic and trade policy across advanced economics. Such developments generated substantial uncertainty, particularly for emerging and frontier markets. Unlike in the previous year when international commodity prices – including the price of crude oil – reached historic lows, sparking deflationary trends across the globe, the year in review witnessed a slight increase in prices of key commodities.

The price of crude oil in 2016 hit US\$ 26 per barrel – its lowest range in 13 years, subsequently closing the year at a range between US\$ 50-55 per barrel. These trends created increased inflationary pressure across the globe, and was felt more strongly in import-dependent economies.

Advanced Economies

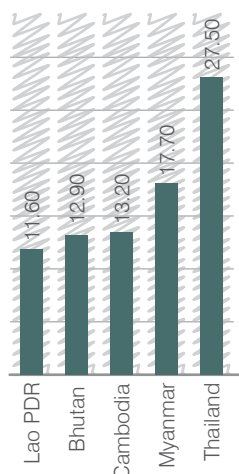
Monetary policy normalisation in the United States, slow pace of economic growth in advanced economies such as the European Union and Japan, and geopolitical uncertainties in the Middle East negatively impacted the overall growth trajectory of the global economy. In the wake of Presidential elections in America, the global economy faced significant short term volatility following a series of significant changes in domestic policy together with notable shifts in international diplomatic and trade policies. Most notable among these changes for the Asian region was the abandonment of the Trans-Pacific Partnership (TPP) shortly after the election. Prior to the election, the TPP was set to be the world's single largest trade deal, spanning 12 countries that collectively account for 40% of global GDP.

While anticipation is high for US economic growth, the country's political environment continues to be a significant downside risk to growth, as already evidenced by a GDP growth rate of 1.6% YoY in 2016; its slowest pace in three years. However the International Monetary Fund (IMF) currently estimates that US growth will recover to 2.3% in 2017.

Similarly the European Union also experienced unprecedented volatility arising out of socio-political developments in the region over the course of 2016, culminating in United Kingdom voting to trigger an exit from the EU. While it is currently unclear what the legal, trade, and policy ramifications of the 'Brexit' vote will be, the vote itself stands as evidence of significant tension underlying the economies of

Management Discussion and Analysis Contd.

Regional Tourist Arrivals
AAGR (%) for
2014 - 2018



the region. Nevertheless, a positive vote for Euro-centrism at recently concluded elections in France points to the potential for normalization. Following 2016's performance when the Euro zone recorded a growth rate of 1.7%, growth is currently projected to decline marginally to 1.6% however this outlook is extremely liable to revision contingent on the way in which developments in the Euro zone play out over the coming year.

In that regard, a key risk factor for the EU will be the final outcome of sanctions imposed on Russia. If geopolitical tensions in the region ease, the lifting of sanctions could provide avenues to rejuvenate trade within the region, while also serving to ease pressure on the Russian economy. While the value of the Russian Ruble has fallen drastically when viewed from the first imposition of sanctions in 2014, it is notable that the currency showed encouraging - albeit constrained - signs of recovery towards the end of 2016 and continued to make gains against the Euro and U.S. dollar through the start of 2017.

Emerging Markets

Economic performances across emerging markets were also hindered by a combination of weaker exports to developed economies in the West, coupled with multiple internal challenges in key economies. The fortunes of China's economy are key to the overall emerging-market performance. With an \$11 trillion GDP, China is roughly equal in size to the next 10 largest emerging markets combined. While China's growth trajectory has slowed over the past year, the deceleration has not been abrupt. The 6.7 percent GDP expansion in the second quarter provided additional evidence that government stimulus is stabilizing activity. And rising consumer spending is partly offsetting weakness in the "old economy" industrial sector. During the year in review, economic growth in emerging markets and developing economies 4.1%, and is projected to increase in pace to 4.5% in the coming year. Of these emerging markets, the Asian region developed at a substantially faster pace of approximately 6.3% in 2016, led by India which posted an impressive 7.2% growth during the year in review.

While Chinese growth for the year amounted to the slowest growth rate for the country since 1990, the country's performance was seen to improve towards the end of the year and its outlook for the first half of 2017 is positive however given continuing need for reforms, particularly in the State banking sector and increasing geopolitical tension around the South China Sea, the prospects for Chinese growth are not currently expected to improve substantially over the coming year, with current forecasts projecting further moderation down to 6.5% at the end of 2017 and 6% in 2018.

Growth across all sectors of the Indian economy – with the exception of its agriculture sector which posted positive

gains on the back of a favorable monsoon season - recorded subdued performances however, a substantial aspect of this reduction in growth was due to a series of reform-oriented policies focused on trade liberalization and the resultant restructuring triggered across key sectors of the Indian economy. These policies culminated in a sharp cash shortage following Prime Minister Narendra Modi's surprise announcement in November to remove India's highest value bank notes from circulation. The demonetization drive wiped out 86% of India's currency as part of wider initiatives aimed at ending tax fraud, corruption and pushing India toward digitisation.

Having since resumed circulation of new bank notes, it remains to be seen just how effective the demonitization drive was in terms of expanding tax collections across into the country's sizeable informal economy, while digitization efforts are proceeding at an impressive pace, and will likely yield substantial benefits for the country over the medium-long term.

Moving forward, the India economy is projected to rapidly escalate its growth potential, particularly in the wake of a promising campaign to attract substantial amounts of Foreign Direct Investment into the country through enabled by trade and investment liberalization policies implemented in 2016. IMF forecasts project the Indian economy to grow at a pace of 7.2% in 2017 and 7.7% in 2018.

Global Tourism Market

Despite significant volatility in the international economy, the global tourism industry recorded substantial gains in 2016. Amounting to the seventh consecutive year of sustained growth for the industry, international tourist grew at a rate to reach 1.24 billion arrivals during the year, amounting to approximately 46 million more overnight visitors travelling

internationally, as compared with the previous year.

The Asia Pacific region in particular posted the highest gains in arrivals during this period, reaching growth in excess of 8%, fueled by strong demand from both intra- and interregional source markets. On another encouraging trend over the past year was an overall increase in average tourist spending, consistent with the growth in tourist arrivals during this time.

China

In particular, spending among Chinese tourists recorded a sharp 12% Year-on-Year (YOY) increase up to US\$ 261 billion, serving to further consolidate China's position as number one source market in the world since 2012, following a trend of double-digit growth in tourism expenditure every year since 2004.

Traditionally higher tourist spending among the Euro region remained relatively consistent despite the ongoing socio-political upheavals in the region with Germany, the United Kingdom, France and Italy leading tourist spending among European markets.

North America

Tourism spending from the United States the world's second largest source market increased 8% in 2016 to US\$ 122 billion, up US\$ 9 billion on 2015. For a third year in a row, strong outbound demand was fuelled by a robust US dollar and economy. The number of US residents travelling to international destinations increased 8% YoY through November 2016.

Europe

Germany, the United Kingdom, France and Italy are the four European markets in the top ten and all reported growth in outbound demand last year. Germany, the world's third largest market, reported 5% growth in international tourism

spending last year, rebounding from weaker figures in 2015, reaching US\$ 81 billion.

Demand from the United Kingdom, the world's fourth largest source market, remained sound despite the significant depreciation of the British pound in 2016, rising 7% YoY up to 70 million, with expenditure close to US\$ 64 billion.

France, the world's fifth largest market, reported 7% YoY growth in tourism expenditure in 2016 to reach US\$ 41 billion. Italy recorded 1% growth in spending to US\$ 25 billion and a 3% increase in overnight trips to 29 million.

By contrast, Canada, the second source market from the Americas in the top ten, reported flat results, with US\$ 29 billion spent on international tourism, while the number of outbound overnight trips declined by 3% YoY to 31 million.

Regional Performances in Tourist Sector

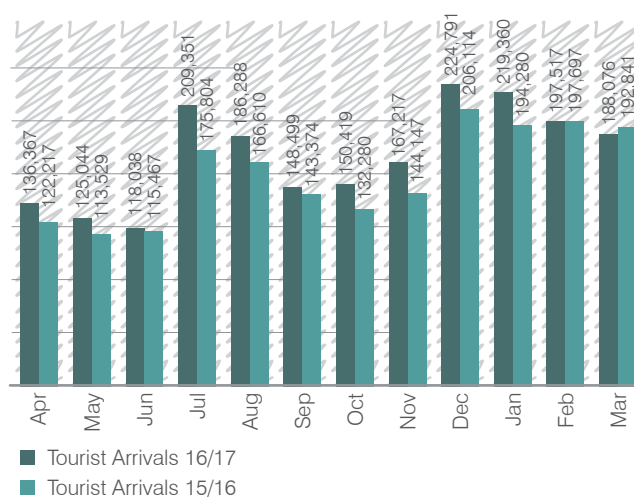
By region, Asia and the Pacific led growth in international tourist arrivals, posting 8% YoY growth in 2016 fuelled by strong demand from both intra- and

interregional source markets. The African region also recorded positive growth of 8% YoY, while the American region posted 4% YoY growth.

In terms of regional 2016's regional performances in the hospitality industry, Europe and the Middle East – two regions which experienced the most social and political upheavals – posted growth of 2% YoY and a contraction of 4% YoY respectively, with a generally high variance in performances as some destinations in each of these regions were able to record positive results despite the unprecedented volatility in the region.

Results in Europe were rather mixed with a number of destinations affected by safety and security challenges. International arrivals reached 620 million in 2016, or 12 million reflecting a 2% YoY improvement while Northern Europe posted 6% YoY growth, and Central Europe recorded 4% YoY growth. However, arrivals to Southern Mediterranean Europe arrivals grew by just 1% YoY and in Western Europe results were flat.

Tourist Arrivals (Nos)



Management Discussion and Analysis Contd.

Growth in the Asia and the Pacific was strong in all four subregions, with Oceania receiving 10% YoY more arrivals, South Asia 9% YoY more and North-East Asia and South-East Asia both 8% YoY more. Growth was somewhat stronger in South America and Central America both 6% YoY while the Caribbean and North America recorded around 4% YoY more arrivals.

Outlook for 2017

Tourism is one of the most resilient and the world's fastest-growing economic sectors it can also be extremely sensitive to risks and shocks both actual and perceived. Hence, while the current projections for the international tourism industry are highly promising, projections will not be able to account for any major disruptions caused by international crisis.

In the context of the unprecedented geopolitical and socio-economic volatility prevalent in major markets across the globe over the last year, and the significant uncertainty expected to prevail over the coming year, the industry anticipates significant downside risks to growth. Nevertheless, when considered against the substantial resilience witnessed across most of the international tourism industry's key performance indicators, the outlook over the coming year appear highly positive.

The coming year has also been designated by the United Nations the International Year of Sustainable Tourism for Development, and already the global industry is witnessing a major surge in demand for eco-friendly, environmentally sustainable tourism experiences. Hence it is further anticipated that in the coming year, international tourists, particularly at the higher spending brackets will place an increasingly strong emphasis on such experiences, and the international industry is therefore expected to respond to these trends with a similarly strong focus on inclusive and sustainable

economic growth, social inclusion, and cultural and environmental preservation.

The latest survey of UNWTO's Panel of Experts shows continued confidence in 2017, with the large majority (63%) of the some 300 respondents expecting 'better' or 'much better' results than in 2016. The Panel score for 2017 virtually equals that of 2016, so growth is expected to be maintained at a similar level.

Based on current trends, the outlook of the UNWTO Panel of Experts and economic prospects, UNWTO projects international tourist arrivals worldwide to grow at a rate of 3% to 4% in 2017. Europe is expected to grow at 2% to 3%, Asia and the Pacific and Africa both at 5% to 6%, the Americas at 4% to 5% and the Middle East at 2% to 5%, given the higher volatility in the region.

Sri Lankan Economy - General Conditions

Following a period of limited volatility, the Sri Lankan economy showed early signs of stabilization in 2016 with growth being hampered by continuing uncertainty in international markets, and increase in international commodity prices, coupled with a recovery in the price of the dollar, while unfavorable weather conditions created major disruptions across the country. These disruptions also placed significant constraints on growth in the country's agriculture sector leading to economic growth rates of 4.4% in 2016, as compared with 4.6% in the previous year.

A steady acceleration in quarterly growth was observed from the second quarter of the year amidst tightened fiscal and monetary policies. Increased investment expenditure, especially in the construction sector, drove economic growth during the year, while consumption expenditure slowed in response to the policy environment in place. Inflation, which remained low

in the first four months of the year, increased thereafter to record an annual average of 4.0 per cent in 2016.

Growth was led by the industry sector which expanded at a rate of 6.7% YoY, which in turn was driven mainly by the construction, and mining and quarrying, which grew by 14.9% YoY and 14.4 %YoY, and jointly contributed 10.0% of GDP.

Services related growth – which accounts for 56.5 of national GDP – grew at a rate of 4.2% YoY, led primarily by a significant expansion in banking and financial services, which posted 12.4% YoY growth during the year in review. Meanwhile, as a result of the above mentioned unfavorable weather conditions the Agriculture sector contracted by 4.2% YoY in 2016. The resulting disruptions to rubber and tea plantations also generated further weakness in Sri Lanka's export performance for the year.

The average price of tea in the international market remained broadly stagnant in the wake of lowered demand from key export destinations while rubber production dropped to the lowest volume reported in the past 50 years with a drop in both the extent under tapping and the number of tapping days in response to low international prices for natural rubber owing to overall subdued petroleum prices.

Intervention from the Central Bank resulted in a limited reduction of downward pressure on the rupee leading the national currency to close the year having depreciated 3.8% against the US dollar. The country's balance of payments recorded a deficit of US\$ 500 million in 2016, while foreign reserves declined to US\$ 6 billion as compared with reserves of US\$ 7.3 billion in the previous year.

According to the most current Central Bank forecasts, the economy is

anticipated to grow at a moderate pace of approximately 5% in 2017.

Sri Lankan Tourism Industry

The Sri Lankan tourism industry, a major foreign currency earner in the economy, continued its growth momentum during 2016. Tourist arrivals crossed the 2 million milestone for the first time in the country's history to conclude the year with 2,050,832 arrivals, reflecting an impressive growth of 14% YoY.

The significant increase in tourism related infrastructure development and investments, increased connectivity through the operation of new airlines and cruise lines, together with country specific promotional campaigns were strong driving factors behind the sector's impressive growth, underlined by Sri Lanka's extremely unique attractiveness airing out its rich environmental and cultural heritage.

Tourist arrivals from all major regions - except Africa - increased in 2016. Western Europe continued to stand as the single largest region of tourist origins for Sri Lanka, representing 31.4% of total arrivals, while the number of arrivals from the region expanded by 16.5% YoY to 643,333 during the year in review.

Arrivals from the East Asian region continued to record impressive growth during the year, and particularly when considered over the last decade, represents a strong and growing market for the Sri Lankan tourist industry. Arrivals from the region account for almost 21% of total arrivals to Sri Lanka from 2010-2016, led primarily by tourist arrivals from China.

India remained the largest country of tourist origin with 356,729 arrivals in 2016, while China remained second, followed by the UK, Germany and France. These 5 largest tourist source destinations together have accounted

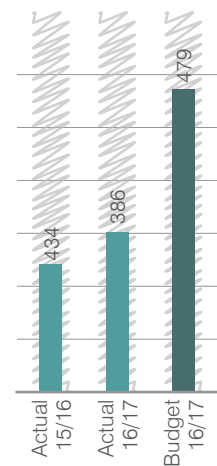
for 51.0 per cent of tourist arrivals to Sri Lanka in 2016, reflecting the market concentration of tourism. The highest contribution to growth was recorded from China with 271,577 tourist arrivals, followed by India and the UK.

The sector's substantial growth during the year in review was primarily driven by the combined increases in tourist arrivals and tourist spending, the latter of which expanded at a rate of 18% YoY to US\$ 3.52 billion, as compared with US\$ 2.98 billion in the previous year while tourists were found to spend on average approximately US\$ 168.2 per day.

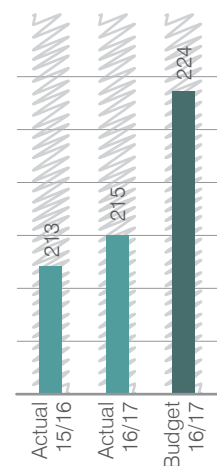
During 2016, approval was granted for 41 new hotel projects with 1,526 rooms with an investment of US dollars 126 million compared to 37 projects approved in 2015. Several international hotels commenced their operations adding 1,569 rooms to the industry, while several major hotel projects continued their construction work during the year. Further, supplementary establishments, which include boutique villas, guest houses, home stays, heritage homes, bungalows and rented apartments, increased in 2016 by 149 to 1,558, with a total room capacity increased by 833 rooms to 11,535. These new hotel projects will help the government to achieve its target of building 75,000 rooms to cater to 4.5 million tourist arrivals by 2020.

The tourism industry in the Eastern and Northern provinces of the country continued to grow with local and foreign investors, focusing their attention on harnessing the high potential for tourism in these provinces. Several new projects related to tourism have been completed in the Eastern and Northern provinces, particularly in Passikudah, Nilaweli and Jaffna, since the end of the conflict. In addition, proposals have been made to establish new tourism projects in islands of Jaffna and Mannar, Mullativu,

Room Revenue
(Rs. Mn)

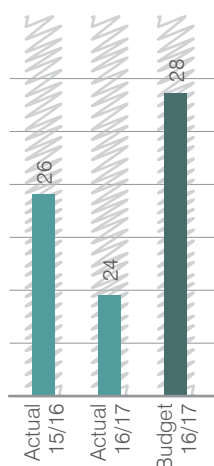


Food & Beverage
Revenue (Rs. Mn)

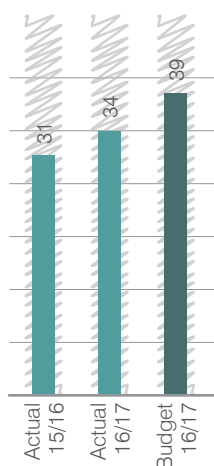


Management Discussion and Analysis Contd.

**Spa Revenue
(Rs. Mn)**



**Sundry Revenue
(Rs. Mn)**



and Kuchchaweli in the North and East. Further, proposals have been made to develop integrated tourism resort projects in Kalpitiya and a resort and recreation development in Dedduwa.

The ramifications that these developments will have on the industry as a whole will be significant, and operators are poised to expect face intense competition in the coming years. Nevertheless, these factors will be offset by the anticipated arrival of 2.5 million tourists to Sri Lankan in 2017, and continuous increases in arrivals in subsequent years.

The rapid expansion in scope of the domestic tourism industry will also place result in a drastic increase in demand for training courses on hospitality management, and internship programmes with a view to feeding greater numbers of professionally qualified hospitality graduates into the industry to meet growing demand, while maintaining a consistent level of quality across the industry. The Government and the Private sector continued discussions with a view to further enhancing the training capacity during the year however one of the most pressing issues facing the collective industry moving forward will be in the area of labour. Steps were also taken during the year to standardise informal sector accommodation as higher standards and such measures will be crucial to maintaining Sri Lanka's competitiveness, as compared with regional peers, over the long run. While the country has made strong progress towards the diversification of tourist activities available in the country, this too remains a key challenge.

Company Performance

Positioned as one of Sri Lanka's most exclusive coastal boutique hotels, The Fortress Resorts & Spa is internationally renowned as one of the most scenic, memorable, and luxurious getaways

for discerning travelers seeking pristine beaches, elegant colonial-style décor, and a wide choice of soothing spa treatments to rejuvenate the senses and improve well-being of body and mind.

The property's lavish features are complemented by a sumptuous array of cuisine that draws together an eclectic mix of international and local flavors to create unforgettable gastronomical experiences that delight even the most discerning palate. Its team of well trained and experienced chefs are also equipped to meet the culinary preferences of guests whose meal preferences extend to fare not featured on the menu, and are adept at catering to vegans, vegetarians as well as those with special food requirements.

Together with its outstanding reputation for warm, friendly service by a dedicated and highly trained staff, The Fortress Resort & Spa stands as a shining example of a sincere, authentically Sri Lankan holiday experience.

During the year in review, occupancy at the hotel faced limited downward pressure that resulted in a reduction from 12,903 room nights down to 12,519 in 2016/17, which amounted to an occupancy rate of 65%, as compared with 67% in the previous year. The reduction in occupancy rates was primarily driven by sharp increases in competition in the hospitality sector, both in the immediate region along the Southern Coastal belt, and across the island, most notably along the Country's East coast.

Given the shorter distance of travel between Sri Lanka's Bandaranaike International Airport and the East Coast, relative to destinations along the Southern coast, and as a result of the recently established star class properties along this stretch being offered at a lower price point, competition within the

domestic hospitality industry is sharply on the rise.

During the year in review, the company posted a total revenue of approximately Rs. 625.4 million, as compared with a previous Rs. 672.5 million in FY15/16. Meanwhile, room revenues reduced to Rs. 386.1 million and average room rates declining to Rs. 30,844 in FY16/17, as compared with Rs. 433.7 million and Rs. 33,606 respectively in the previous financial year.

Notably however, beverage revenues remained relatively consistent at Rs. 58.4 million, as compared with Rs. 58.6 million in FY15/16. Similarly, revenue generated by the hotel's spa facilities posted slight reductions from Rs. 25.8 million down to Rs. 24.6 million during the period in review.

Particularly given the reductions in occupancy rates, and their impact on room revenues, it is an extremely encouraging sign that our other revenue generating segments were less affected by the downturn and their outstanding performance over the past year stands as further validation for our efforts to develop a well-rounded, holistic hospitality value proposition.

The company's topline performance was further bolstered by notable improvements to other income, which rose from Rs. 30.9 million in the previous year to Rs. 33.5 million during the year in review. Operating costs during this period also posted some limited increases, closing the year at Rs. 547.7 million, as compared with Rs. 497.8 million in the previous financial year.

Consequently, The Fortress Resort PLC recorded a profit of Rs. 134.9 million during the year in review, as compared with Rs. 187.8 million during the previous financial year. Earnings per share during the same period dropped to Rs. 1.22, as



compared with a previous Rs. 1.69 per share.

Operational Highlights

During the year in review The Fortress Resorts PLC was able to complete several notable improvements to existing facilities. Among the most notable of these initiatives was the extensive refurbishment and renovation of The Fortress Resort & Spa. Given that previously, no major renovations to the property had been carried out for a period of 10 years, during the year in review, the Board of Directors resolved to proceed with an extensive renovation program encompassing the refurbishment of guest rooms, public areas and the food and beverage areas.

Two model rooms with new interiors were also completed for guest review during this period and new furniture for the Public Areas and Restaurants was also purchased and installed in special locations around the property.

Moving forward, the Management has planned to invest a further Rs. 80 million towards the completion of the renovation programme. As in the previous year, the Company will finance borrowings through a prudent mixture of its own profits, supplemented by bank borrowings. In that regard, it is notable that borrowings

during the year in review posted notable increases, rising from Rs. 6.45 million in the previous year up to Rs. 26.1 million in FY16/17. While the increase is partly driven by increased volumes of borrowing, and also a result of the shift towards higher interest rates during the year.

The next major step in the company's renovation initiative will be the complete reconstruction of our existing lobby to feature a timber finish. As a result, the hotel will be closing operations from 12th June to 25th July 2017, and we will also use this time to modify the interior of a further 30 rooms.

Among the other notable investments completed during the year in review was the opening of a new seafood restaurant – The Salty Snapper. The new restaurant, which was constructed through an investment of Rs. 15 million, was designed with a view to further enhancing the wide range of sumptuous food and beverage options available to our valued guests. Situated in full view of the beautiful sunny brown-sand beaches of Koggala, the restaurant, The Salty Snapper offers up the freshest bounty of the Indian Ocean prepared by award winning chefs.

Management Discussion and Analysis Contd.

The new restaurant will also feature lavish Dedon outdoor furniture and enthralling architectural features consistent with the tropical colonial- design of the Fortress Resort.

The hotel's four (04) other food and beverage facilities also contributed significantly to revenue during the year. The hotel's atmospheric fine dining restaurant, 'Duo', offers a diverse selection of over 2000 old and new world wines, ranging from rare vintages to great classics of the old world, all carefully selected to perfectly complement its irresistible cuisine.

Its second restaurant, 'Pepper', serves up an authentic, diverse selection of Sri Lankan culinary favorites packed with aromatic spices and exotic flavours that the island's cooking has become internationally famous. Finally, 'Heat', the hotel's al fresco restaurant offers magnificent views and delicious interpretations on a wide variety of dishes, from Sri Lankan savory curries to flavorful wood-fired oven pizzas and many other dishes from around the Mediterranean. Rounding out the hotel's food and beverage options is the 'T-Lounge', an airy space showcasing Pure Ceylon Tea including thirty of the very best premium, handpicked Dilmah teas.

The hotel mainly organizing three theme diner nights for the resident guests as well as for the neighboring Hotels / Villas guests and these theme nights are becoming an increasingly popular fixture for tourists in the area.

- Monday - Sea Food Market
- Wednesday - White Night
- Thursday - Indian Night
- Friday - Sri Lankan Night
- Saturday - Sea Food Night

As demonstrated in the positive performance of the company's restaurant income for the year, our investment is already beginning to yield significant returns for the hotel, in line with the Management's strategy to attract greater numbers of visitors to the hotel to sample our exquisite cuisine and winning dining experiences. This strategy has yielded positive returns for the company over the year in review, with income from F&B supporting The Fortress Resort PLC to maintain healthy cash flows in the face of decreased occupancy rates, and throughout the extensive refurbishments – which the hotel's team was able to perform with minimal disruptions to guest experience.

The year in review was also notable in terms of the significant progress that The Fortress Resorts PLC was able to achieve towards the establishment of its second hospitality property in Mirissa. The new venture is envisioned as a 66 guest rooms and will include all other 5 star class facilities.

An application for the necessary approvals has been filed with Sri Lanka Tourism Development Bureau and the Board of Investment of Sri Lanka. The company has invested Rs. 364 million during the year to acquire the land for new hotel project. Primary planning on the project have already been completed including in addition to land clearing, geographic investigation and Architectural, Structural engineering planning. Applications have also been filed for water and electricity facilities.

The project has also secured Board of Investment (BOI) Committee-level approval while further discussions were also initiated with the Tourist Board and officials have already completed and site inspection and initial reviews into the project.

Marketing remains an important priority for the Company, which invested Rs. 7.1 million towards the promotion of the hotel in major tourist markets like the United Kingdom, Australia, Russia, Germany, France and India as compared with Rs. 7.56 million for overseas marketing events during FY15/16.

A further notable achievement during the year in review was the introduction of a new mobile app – Hinstant – a breakthrough hotel concierge and marketing platform which allows hotel guests to browse and order their favorites items or services quickly and conveniently through their mobile phones. The system was installed through an initial investment of Rs. 0.5 million. The system will enable hotel guests and visitors to the hotel to place orders through their mobile phone prior to checking in. The platform will also include an online payment gateway, eventually enabling mobile payments for the wide range of services they order and we anticipate that this new feature will become extremely popular with guests moving forward.

Similarly, the hotel also enabled IPTV facility in the guest rooms during the year at a cost of Rs. 0.9 million, allowing guests to watch free movies while also enabling the hotel to promote F & B activities, excursions and other diversions through the system.

Outlook

Moving into a new financial year, the Management anticipates significant challenges, as well as major opportunities for growth. Particularly given the anticipated completion of its renovation programme during the coming financial year, The Fortress Resort & Spa has been ideally positioned to capitalize on the projected 2.5 million tourist arrivals to the country over 2017. Equipped with a refurbished, wood



paneled façade on entry and state of the art amenities.

These efforts, combined with investments towards the establishment of The Fortress Resorts PLC's second property in Mirissa will prove to be of crucial value to the company over the short-medium term. Particularly given the remarkable growth in tourism along the Mirissa coastal region, the addition of a star class facility on par with the lavish luxury provided at The Fortress Resorts & Spa will enable the company to capture a significantly larger share of the tourist market.

The company's growth potential stemming from the increased pace of tourist arrivals will however continue to be moderated by sharp increases in competition, internal labour market conditions and currency volatility in the coming year. Given the anticipated rise in competition from new entrants, especially along the East coast, The Fortress Resorts PLC aims to intensify its marketing efforts over the coming year. Moving forward, these initiatives will continue to be conducted in foreign markets, both through direct campaigns, which will also include new media (instagram, facebook, twitter etc.) as well as indirect promotions through our

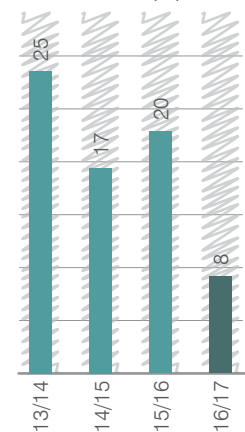
esteemed travel partners across the globe.

With regard to labour shortages, The Fortress Resort PLC is actively working to improve the flow of talent into the organization through partnerships with leading local hospitality training organizations such as the the NAB and SLITHEM to train their students in the hotel as part of their curriculum.

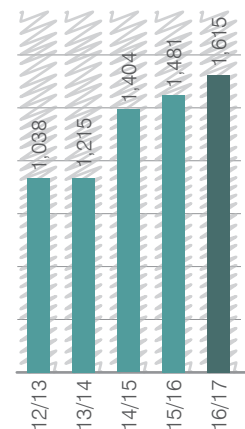
The hotel has been conducting similar training programmes for the past five years, and on average, we have been able to enroll approximately 20 students per annum at minimum and the hotel is usually able to absorb between 5-10 students into its permanent employees per annum.

Given that The Fortress Resort & Spa has proactively responded to these challenges, seeking out new opportunities for growth, and making timely investments that will strengthen the growth outlay for the company over the short, medium and long term, the Management remains confident that the coming financial year will be defined by strong growth in occupancy and top and bottom line performance.

Growth in Tourist Arrivals to Sri Lanka
YOY Growth (%)



Growth in Shareholder Funds (Rs. Mn)





Endless improvement



The Fortress Resort & Spa's reputation for excellence applies to its culinary prowess. Guests of the hotel have long been afforded the luxury of indulging in the best culinary delights served daily at the hotel's previously established three restaurants that transcend the boundaries of both local and international cuisine. The Fortress' signature unparalleled dining experience is now availed to non-guests with the hotel's newly introduced seafood restaurant "Salty Snapper" that will serve to elevate the hotel's existing exceedingly high gastronomic standards

Sustainability Review

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While the company's efforts to standardize its sustainability reporting practices are still in a relatively nascent stage, it is important to note that The Fortress Resorts PLC's efforts towards improving stakeholder engagement and minimizing resource consumption were first initiated at a time when the local and global industry were still debating the value of such efforts.

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This report has been prepared with a view to providing all present and future stakeholders with a transparent, detailed, and accountable report of the policies, initiatives and other sustainability commitments entered into by The Fortress Resort PLC during the financial year ended 31st March 2017.

The company continues to adopt a triple-bottom line approach towards sustainability reporting, encompassing analysis of social, ecological and financial performance and impact during the period in review. This report – which is the fourth Sustainability report prepared by The Fortress Resort PLC – is therefore presented to stakeholders as part of an on-going commitment to effect continuous improvements to the company's operational processes and overall management framework with a view to promoting a harmonious balance between people, planet and profit, while ensuring the sustainability and viability across all three of these spheres.

While the company's efforts to standardize its sustainability reporting practices are still in a relatively nascent stage, it is important to note that The Fortress Resorts PLC's efforts towards improving stakeholder engagement and minimizing resource consumption were first initiated at a time when the local and global industry were still debating the value of such efforts. In that regard, we reiterate the rationale first advanced by The Fortress Resort PLC in justification of the investments and capital expenditure required to promote such sustainable practices throughout its operations, namely the fact that sustainable practices when implemented effectively, are positively reflected in the company's performance over the long term.

Consequently, our hotel sought, and continues to seek, new and innovative ways in which to reduce our environmental footprint, while creating value for all stakeholders. This has had significant impact on the functional as well as operational areas of the hotel - the front office, reservations, housekeeping, food and beverage, catering, engineering and Human Resources.

The firm commitment of The Fortress Resort PLC towards the effective implementation of sustainable practices at every level of the organization takes on an even greater significance when viewed in light of The United Nations General Assembly decision to declare 2017 as the International Year of Sustainable Tourism for Development, in recognition of our industry's outstanding potential to advance the Universal 2030 Agenda for Sustainable Development and the 17 Sustainable Development Goals (SDGs).

Accounting for 7% of worldwide exports, one in eleven jobs and 10% of the world's GDP, the tourism sector if well managed can foster inclusive economic growth, social inclusiveness and the protection of cultural and natural assets. Particularly given this wide scale of impact, we remain confident in the ability of our industry to spark a catalytic change across the global economy towards greater economic prosperity social inclusion, peace and understanding, cultural and environmental preservation.

It is therefore critical that the domestic tourism industry also work to rally behind this world-wide effort to target and mitigate the environmental, social and economic aspects of their operations,

Sustainability Review Contd.

including economic validity, local prosperity, employment quality, social equity, visitor fulfilment/utility, local control, community well-being, cultural richness, physical integrity, biological diversity, resource efficiency and environmental systems integrity.

As an industry leader, we are committed to proactively pursuing sustainable initiatives that endorse our reputation as an ethical and responsible corporate citizen who leads by example. During the year in review, The Fortress Resort PLC made outstanding progress towards further improvement of these goals through a concerted focus on key issues like social equity (addressing poverty, community issues and health), economic efficiency (promoting innovation, prosperity and productivity in all aspects of our operations), as well as support the well-being of the environment (introducing initiatives that mitigate the effects of climate change).

Today, more hotels in Sri Lanka as well as in other parts of the world are going green, and see the benefits of these practices in the short as well as long term. As a property that has been in the vanguard of this initiative, we commend their decision and have no hesitation in reiterating that sustainable business practices are the way forward to a productive and profitable future.

Scope of Reporting

This is the fourth Sustainability Report of The Fortress Resort & Spa. The report contains Standard Disclosures from the GRI G4 Sustainability Reporting Guidelines and covers data and initiatives carried out in the year ending 31 March 2017. Company profile data reflects figures at the end of the financial year of 31 March 2017. Content and

figures referenced in the Annual Report and Financial Statements have been externally assured by a third-party auditor.

Approach

Sustainability, to us, is about integrating social, environmental and economic concerns into our values and operations in a transparent manner that ensures we are fully accountable for what we do. Our blueprint for sustainability guides us on how we live out our mission, care for our staff and guests, invest in our communities, and minimise our impact on the planet. With these guiding principles, we evolved our approach to more effectively address some of the greatest risks to our environment and our people which, ultimately, influences the continuity of our business.

Terminology

As used in this report, the terms "The Fortress" "The Hotel," "The Company" "The Property" "The Facility" "We," "Our," and similar terms are used for convenience to refer The Fortress Resort & Spa, Koggala. 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 2017 comprise of the Company and its fully owned subsidiary "La Forteresse (Private) Limited" (together referred to as "the Group"). The Company has invested in its fully owned Subsidiary Company.

Economic Sustainability

In developing an organizational strategy that is geared towards sustainability, the Group's immediate priority has been to ensure that its business model and processes are managed in a manner that will ensure financial profitability through the development of healthy revenue streams coupled with the continuous adoption and refinement of strategies that will ensure continued business over the medium to long term horizon.

During the year in review, the Group recorded a profit of Rs. 134.9 million, as compared with Rs. 187.8 million during the previous financial year while earnings per share during the same period dropped to Rs. 1.22, against a previous Rs. 1.69 per share. The slight reduction in year-on-year profits for the Group was largely a result of fierce competition in the domestic hospitality industry.

Awards and certifications

Particularly in the backdrop of increasingly competitive domestic market conditions, the Management continues to diligently supervise and plan operations, while maintaining strict oversight into service quality which remains a cornerstone of its success over the past decades. During the year in review, the Hotel was able to continue this winning legacy.

Awards Received - 2016/2017

Award Name	Received for	Award valid for	International / Local
Crowns for Food Hygiene	Food Hygiene	2016/2017	Local
International Hotel Awards 2016/2017 and International Five Star Hotel Standards in association with Rolls Royce Motor Cars	Winner of Best Small Hotel in Sri Lanka	2016/2017	International
Conde Nast Johansens	A Global collection approved by local experts	2017	International
Trip Advisor	Certificate of Excellence	2016	International
Trip Advisor	Travellers' Choice	2016	International
LUX Hotels & Spa Awards hosted by Lux Magazine	Best Luxury Boutique Resort - Sri Lanka	2016	International

Meanwhile, the Hotel's F&B options are also being developed and marketed in order to attract a larger number of visitors to the hotel from neighboring properties. This strategy of developing the hotel's restaurants into attractions in and of themselves has provided valuable support to the Group's revenue streams during the last year when occupancy rates recorded slight reductions.

During the year the hotel has invested in a new sea food restaurant – The Salty Snapper - with the aim of enhancing

hotel food and beverage revenues. The hotel has invested Rs. 15 million on this project which includes premium outdoor Dedon furniture.

Marketing and business development

While one of the Property's greatest strengths is its ability to attract return visitors based on the unmatched quality of service and intrinsic charm of the hotel itself, we continue to face a challenging environment both at on the domestic and international stages as a result of increasing competition for tourist arrivals.

Consequently, marketing and promotions play a vital role in raising the visibility of The Fortress Resort & Spa in international markets, thereby attracting new visitors to the property. During the year in review, the Group invested Rs. 7,099,445/- towards marketing and promotional activities, as compared with Rs. 7,564,540/- in the corresponding period of the previous year.

Trade Fairs / Roadshows – 2016/17

Fair / Summit	Host country	Period	Type of event	Marketing / Branding
Arabian Travel Market	Dubai, UAE	25 – 28 April 2016	Trade Fair	Marketing
Russia Road Show	Moscow, Russia	16-20 May 2016	Road Show	Branding
Luxperience	Sydney, Australia	18-21 Sep 2016	Trade Fair	Branding
World Travel Market	London, United Kingdom	7-9 Nov 2016	Trade Fair	Marketing
DER Touristik Come Closer - Campus Summer	Berlin, Germany	10 -13 Nov 2016	Brochure Launch	Branding
ILTM Cannes	Cannes, France	05-08 Dec 2016	Trade Fair	Branding
OTM Mumbai	Mumbai, India	21-23 Feb 2017	Trade Fair	Marketing
ITB Berlin	Berlin, Germany	8-12 March 2017	Trade Fair	Marketing

Sustainability Review Contd.

In addition to the above events, the Hotel also made further investments into the production of marketing brochures with tour operators and travel agents during the year. The total investment in this area was Rs, 3,939,924/- as compared with a previous spend of Rs, 4,889,902/-.

The Hotel also initiated foreign and local advertising campaigns throughout the year and invested Rs. 4,964,832/- towards this end, surpassing the previous year's investment of Rs, 3,917,481/-.

Being a member of prestige Small Luxury Hotels of the World for the past 10 years we will also be renewing our membership for a fee of Rs, 4,058,559/- which represents an increase over the previous year's membership payment of Rs, 3,381,542/-.

Having carefully monitored developments and trends in domestic and international tourist markets, the Management has already made several timely investments into the refurbishment of its existing property and a further expansion of its franchise into the Mirissa area through the construction of a further 66-room 5-star class property under a new venture named 'Alila Hotels and Resorts (Pvt) Ltd'

Commitment to ethical business practices

The Group is firmly committed to play a leading role in the continued development of the domestic hospitality industry, and to that end, expends substantial resources towards comprehensively documenting and transparently reporting on all of its activities over the past year, to ensure an open channel of communication with shareholders and stakeholders.

We view whistle blowing as a positive act that makes a valuable contribution to the Company's ethical conduct of business, and promotes efficiency and long-term success. Our whistle blowing policy addresses employee concerns, and encourages them to expose irregularities and uncover malpractices in an atmosphere of confidentiality. We are also aware of the fact that we may be challenged by new ethical concerns which may arise as we pursue and enter new markets and offer new and even more innovative products and services.

We hold ourselves accountable for actions carried out in the course of business. Ethical behavior is core to our commitment to promoting a sustainable and responsible business. Ethics guides all our business decisions and the manner in which we approach technological advances.

Key areas in which we pursue ethical conduct throughout our operations include the use and safeguarding of Company assets and data, integrity of all financial reporting, product quality, safety and environmental matters, protection of intellectual property, as well as in our interactions with governments and competitors. All employees are also required to comply with applicable laws and standards for legal obligations, ethics and business conduct.

Environmental sustainability

Particularly in the backdrop of an unprecedented new level of understanding and awareness as to the impacts of climate change and environmental degradation, the global tourism industry is collectively seeking new solutions to make their operations more eco-friendly and ensure that they

are brought within the carrying capacities of the respective eco-systems in which they operate.

These initiatives have taken on an increasingly important role in determining the future of the tourism and hospitality industry, and 2017 has since been declared the International Year of Sustainable Tourism by the United Nations General Assembly. In that regard, the industry continues to face difficult challenges when considering the typically energy and resource intensive nature of our industry.

Keeping these important developments at the forefront of its considerations, The Fortress Resort PLC continues to adopt an organized and highly systematic approach towards the mitigation of the impacts of daily operations on the surrounding environment. The property is constantly seeking out new ways to further reduce consumption of resources, through the implementation of more efficient technologies and amenities, complemented by awareness building for employees, guests, and surrounding communities.

During the year the hotel partnered with the prestigious Green Globe organization to achieve certification for The Fortress Resort & Spa and during the year in review, the hotel was able to complete up-to 75% of all certification requirements, and it is currently anticipated that the property will be able to comfortably secure certification within the coming financial year.

Providing Garbage Collection bins for the Children Park

During the year in review, the hotel took steps to arrange for the installation of garbage bins and garbage collection of the same at the children's park located in the left wing of the Property. It had been brought to the Management's attention that the park had been receiving increasing amounts of foot traffic, particularly during weekends and school holidays, resulting in an increased level of pollution. These problems were exacerbated by the lack of proper garbage bins in the area.

Consequently, the hotel moved to rapidly develop a solution to this emerging issue by installing garbage bins at multiple points in the area, organizing strict monitoring of the cleanliness of the park on a daily basis, and arranging regular collection and safe and responsible disposal of the garbage collected on a regular basis. This initiative was carried out through an investment of Rs. 60,000 and since its initiation, the hotel has also expanded the garbage bins to cover areas close to the ocean where guests come to bathe, and in the nearby natural pool that is a similarly popular attraction in the area.



Organic Home Garden

Another highly successful initiative for the Fortress Resort & Spa has been the extremely successful establishment of a completely organic home garden within the hotel premises. First initiated during the 2015/16 financial year, the organic garden has proved to be a highly successful venture that has contributed substantial quantities of clean, healthy, organic produce to the hotel's kitchens.

	2016 / 2017 Rs	2015 / 2016 Rs
Expenditure incurred to develop the garden	344,956	1,100,000
Vegetable harvested	815kg	626kg
Fruits harvested	1351kg	426kg
Coconuts	1,680 Nos	1490 Nos

Over the past three years, the hotel's investments into the establishment of its organic garden including the development of infrastructure, and the construction of a well and an irrigation system on the land stands at approximately Rs. 2 million.



Sustainability Review Contd.

Social Sustainability

The third pillar of the Group's sustainability initiatives is based around concepts of social equity and social inclusiveness. Particularly given the necessity for all participants in the global tourism and hospitality industry to align with the Sustainable Development Goals and in keeping with the values espoused under the International Year of Sustainable Tourism the Hotel's efforts towards social inclusion are quite commendable; particularly as they relate to SDGs of reducing inequality within countries, alleviating poverty, promoting education, gender equality and lifelong learning opportunities.

Sustaining Local Culture

Over the years, The Fortress Resort & Spa has consistently worked with local communities in order to showcase regional culture- from art to dancing, music and more. Traditional dance events and cultural shows are held weekly for the entertainment of the hotel guests, that utilize the talents of dance troupes in nearby communities.

Theme nights are also held to promote ancient art forms. These are an enjoyable and learning experience for our guests, some of who invite the troupes to perform their own countries.

	2016 / 2017	2015 / 2016
Value creation for local artisans	Rs, 4,326,747/=	Rs, 3,785,000/=

Handicrafts

Sri Lanka's ancient handicrafts are another artifact of a rich and diverse cultural legacy. During the year in review, the hotel continued to promote demand for high quality handicrafts produced through the skillful work of local craftsmen by purchasing their wares to both resell at our boutique as well as present to guests as tokens of appreciation.



Artists	Revenue Distributed in 2016 / 2017 Rs.	Revenue Distributed in 2015 / 2016 Rs.
Handicrafts	660,176/=	878,803/=
Paintings	1,566,050/=	1,778,650/=
Reed ware	200,110/=	9,100/=
Others	2,491,716/=	2,582,971/=
Total	4,918,602/=	5,189,524/=

Presentation of School Books

The Group's Future Learners project also gathered increased momentum during the year in review with children of staff being presented with gift vouchers to purchase school books and other educational materials through an investment of Rs. 450,000/- above the Rs. 400,000 thousand invested in the project during the previous financial year.

Tour Operators and Local Guides

Additionally, over the recent past the hotel has worked to formalize arrangements with three-wheeler drivers in the area through a partnership initiative with the Taxi Drivers Association established in the area with a view to ensuring safe, convenient and cost effective means of transportation for our guests to explore the attractions of surrounding cities and villages.

While guests continue to retain the final choice in their preferred mode of transport, the hotel's arrangement with the Taxi Drivers Association has proved to be mutually beneficial, enabling steady business for drivers in the area while also allowing guests to get receive a uniquely Sri Lankan flavor to their travels in the area at an optimal cost.

	2016 / 2017	2015 / 2016
Number of hirers given	2,134	2,282
Revenue distributed	Rs. 9,505,299/=	Rs. 6,912,600/=



Ethereal beauty



The Fortress Resort and Spa is fashioned in the style of a powerful fortress and its architecture draws inspiration from historic Dutch and Portuguese styles infused with Sri Lankan motifs. Overlooking the pristine beach, the walls of the resort enclose verdant gardens and feature a decadent spa, a free-flowing crystal blue swimming pool, wine cellar, fine-dining restaurants, boutiques and most importantly, the exquisitely-appointed rooms, lofts and residences the luxury resort is reputed for.

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 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 priorities 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 2016 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 2016 was the shift in global travel generating markets from the West to the East and internal clashes in Syria and France. 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 15/16 remaining throughout the financial year 16/17 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.

Risk category and description	Potential Impact	Control measures and action plans to mitigate risk
Strategic Risk: Market Share		
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"> The company adopts a policy of refurbishing the hotel whenever necessary and refreshing the themes of hotel's food & beverage offerings. Considering the expansion options available at the moment through strategic new investments. Innovating and trend setting while benchmarking with global competition. Obtained crowns for food hygiene in 2015 and continuing the same for the future. Introduced all inclusive concept for certain markets such as UK & Europe, with a hope to introduce to other markets in future.
Business Risk		
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"> 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. Implementation of stringent cost control procedures and innovative cost saving initiatives in the hotel level. Ongoing review of cost and expenditure by operational and finance staff to determine appropriate revision of rates and tariffs.
Statutory & Legal Risk		
<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"> Statutory returns including taxes are regularly monitored, reviewed and scrutinized by the Chief Financial Officer. Compliance audits are included in the scope of the internal audit program. A comprehensive financial and operational checklist is reviewed by senior management on a monthly basis. Active engagement with industry advisory and policy making bodies to articulate concerns and make representations upon invitation. Continuous review and development of information systems which detect and report deviations.

Risk Management Contd.

Risk category and description	Potential Impact	Control measures and action plans to mitigate risk
Operational Risk		
Demand		
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"> • Expansion of distribution channels through digitised web and direct marketing strategies. • Participation in global and regional tourism promotional events in potential and emerging markets like China and India. • Maintaining dynamic relationship with key overseas industry partners through direct contact and local representatives. • Cultivating and nurturing guest loyalty by recognizing and rewarding guests who frequently patronize the hotel. • Collaborating with the local tourism authorities to mitigate where appropriate adverse media reports and canvassing relaxation of negative travel advisories. • Collaborating with local tourism authorities in marketing initiatives undertaken in key generating markets. • Introduction of unique and innovative services to create demand for the destination.
Project Implementation Risk		
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"> • Establishing project timelines in consultation with all relevant parties. • Formal process established to cover project consultancy , project award and material procurement • Specialized teams monitor project progress and compliance with established sustainability guidelines. • Learning derived from mitigating risks identified during project implementation is documented for future reference.
Competition		
Competitive actions from industry peers and threat of new entrants.	Erosion of market share, lower occupancy and rates.	<ul style="list-style-type: none"> • Ongoing and timely investments to upgrade the hotel and its facilities. • By providing superior service quality. • Providing value for money by enhancing services , improving service delivery and focusing on consistent quality. • Monitoring adherence to brand standard across the hotel. • Exceeding customer expectations by careful analysis of guest feedback and providing appropriate and prompt responses to identified issues. • Strong focus on innovation and nurturing an environment conducive to creative thinking. • Benchmarking against globally recognized quality standards. • Monitoring of customer service index reports on regular basis to see whether any lapses in facilities and the service areas.

Risk category and description	Potential Impact	Control measures and action plans to mitigate risk
Brand Equity and Reputation		
Any event that could undermine the brand equity and the reputation of the hotel and/or failure to sustain the appeal of the hotel brand to its customers.	<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 hotel business</p>	<p>Although same factors are beyond its control, the hotel adopts the following approaches to mitigate this risk.</p> <ul style="list-style-type: none"> • Innovative service in keeping with brand promise. • The hotel ensures that key managerial positions are held by suitably qualified and trained staff with sufficient experience in the hotel industry. • Ongoing attention to environment, health and safety concerns by obtaining appropriate recognised quality certification standards . • Hotel operation is monitored against and guided by the Standard Operating procedures (SOP). • Continuous monitoring and review of on-line customer reviews and ratings .
Personnel		
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"> • Identification of talent pool for succession planning. • Structured training arising from performance appraisal process. • Developing a spirit of unity by organizing associate gatherings to celebrate staff birthdays, outings, sport days, family get-togethers and religious and cultural festivals • Recognizing superior performance by presenting certificates and cash rewards to honor and reward associates.
Technology and Data Protection Risk		
Failure to keep pace with developments in the 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"> • The IT division of the hotel has implemented procedures to safeguard the computer installations of the hotel to ensure continuity of operations. • Reservation and property management system upgraded for greater alignment with business needs making it easier to respond to changes in business strategy. • Business continuity and disaster recovery plans have been place in line in case for any emergency situations. Developed plans are already submitted to the internal auditors for their review.

Risk Management Contd.

Risk category and description	Potential Impact	Control measures and action plans to mitigate risk
Internal operational process		
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"> 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. 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. Quarterly confirmation of compliance with financial, operational and sustainability procedures and requirements. A formal process in place to review and monitor internal audit findings.
Financial Risk		
Financing and interest rate risk		
Inability to satisfy debt repayment covenants and secure financing for proposed investments.	Higher finance cost Loss of reputation	<ul style="list-style-type: none"> The hotel maintains a balance between continuity and flexibility of funding using in domestic borrowings. At the moment the group is in a debt free situation except a financial lease facility with Bank of Ceylon.
Credit risk		
Exposure of default by debtors particularly overseas partners	Loss of profits and higher working capital requirement	<ul style="list-style-type: none"> Constant monitoring of trends in payment patterns. Being alert to indicators of insolvency by keeping touch with economic alerts and reviews, financial information of partners. Robust credit policy in place to review credit worthiness on a periodic basis. Every endeavour is made to secure advances from agents where ever possible. Actively measuring trade debtor balances with collection targets and regular meeting to monitor and review efficiency of collection activities.
Exchange rate risk		
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"> Sales contracts with major foreign tour operators are denominated in US Dollars which is considered as a safe currency. Denomination of local rates in local currency. All foreign remittance are channel through FCBU accounts denominated in three major currencies (USD, EURO, GBP) to mitigate any possible risks on conversions.

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 Subsidiaries 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 subsidiaries, La Forteresse (Private) Limited and Alila Hotels and Resorts (Pvt) Ltd for the year ended 31st March 2017.

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 provides lodging, food, beverage and other hospitality involving related services.

In December 2016, La Forteresse (Private) Limited invested Rs.364 Million in 99.99% of the issued shares in Alila Hotels & Resorts (Pvt) Ltd which acquired a land located at Thalarambe, Weligama, to set up a five star hotel.

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

Financial Statements

The Financial Statements of the Company and the consolidated Financial Statements of the Company and its subsidiaries, 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 93 to 120 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 Adhithetty	- Managing Director
Mr. Jan P Van Twest	- Director / General Manager

Non-Executive Directors

Mr. Dhammika Perera	- Chairman
(Alternate Director Ms. A A K Amarasinghe)	
Mr. W A C J Wickramasinghe*	- Director
Mr. Malik J Fernando	- Director
Mr. Merrill J Fernando	- Director
Mr. S Senaratne*	- Director
Mr. L T Samarawickrama	- Director
(Alternate Director - Mr H Somasantha)	
Mr. L N de S Wijeyeratne*	- Director
Mr. D E Silva	- Director
Mr. Prashan B Perera	- Director (Resigned w.e.f. 8th March 2017)
(Alternate Director - Mr. W D N H Perera)	- Resigned w.e.f. 8th March 2017
Mr. Chatura V Cabraal*	- Director

*Independent Non-Executive Directors

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

During the year under review Mr. Prashan B Perera resigned as a Director on 8th March 2017 and Mr. W D N H Perera ceased to be his alternate director. Consequent to Sections 210 and 211 of the Companies Act, Mr. Merrill J Fernando was appointed as a Director at the previous Annual General Meeting held on 28th June 2016.

In terms of Article 84 of the Articles of Association Messrs L N De S Wijeratne, S Senaratne and Chatura V Cabraal retire by rotation and being eligible are being recommended by the Board for re-election at the forthcoming Annual General Meeting.

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 87 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 Forteresse (Pvt) Ltd, who held office as at the end of the accounting period, are given below:

Mr. W A C J Wickramasinhe	- Chairman
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

The names of the Directors of the subsidiary Alila Hotels & Resorts (Pvt) Ltd, who held office as at the end of the accounting period, are given below:

Mr. K D H Perera	- Director
Mr. J A S S Adhihetty	- Director
Mr. M H Jamaldeen	- Director
Mr. J A N R Adhihetty	- Director

Interests Register

The Company and the subsidiaries 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 of the Company in Note No 22.2.1 to the Financial Statements. 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 2017 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 2017 are as follows:

	Shareholding as at 31/03/2017	Shareholding as at 31/03/2016
Mr. Dhammika Perera	10,329,317	10,329,317
Mr. J A S S Adhihetty	13,741	13,741
Mr. W D N H Perera (Alternate Director to Mr. P B Perera) (Ceased w.e.f. 08.03.2017)	89	89
Mr. W A C J Wickramasinha*	19,291	19,291
Mr. Malik J Fernando	833,333	833,333
Mr. Merrill J Fernando	2,124,400	2,124,400
Mr. S Senaratne*	1,000	1,000
Mr. L T Samarawickrama	1,550	1,550
Mr. L N de S Wijeyeratne*	Nil	Nil
Mr. D E Silva	500	500
Mr. H Somashantha (Alternate Director to Mr. L T Samarawickrama)	Nil	Nil
Mr. P B Perera (Resigned w.e.f. 08.03.2017)	500	500
Mr. Jan Van Twest	Nil	Nil
Mr. C V Cabraal*	Nil	Nil
Ms. A A K Aramasinghe (Alternate Director to Mr. Dammika Perera)	Nil	Nil

* Independent Non-Executive Directors

Messrs Dhammika Perera, J A S S Adhihetty and L N de S Wijeyeratne are Directors of L B Finance PLC, which held 4,051,100 shares as at 31st March 2017.

Messrs Dhammika Perera is a Director of Royal Ceramics Lanka PLC which held 336,100 shares as at 31st March 2017.

Messrs Dhammika Perera and J A S S Adhihetty are Directors of Vallibel One PLC which held 19,977,345 as at 31st March 2017.

Messrs Merrill J Fernando and Malik J Fernando are Directors of MJF Holdings Limited, which held 28,616,411 shares as at 31st March 2017

Mr. Dhammika Perera is also a Director of Vallibel Leisure (Private) Limited which held 24,417,932 shares as at 31st March 2017.

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 123 and 124.

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. 210,000/- is payable by the Company to the Auditors as Audit Fees (Group – Rs. 810,000/-) for the year under review.

The Auditors have also provided non-Audit services and the fee payable therefore amounts to Rs. 45,300/- (Group - Rs. 79,500/-) for the year under review.

The Auditors have expressed their willingness to continue in office. A resolution to re-appoint the Auditors and to authorize 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. 98,211/-)

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.

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

Material Foreseeable Risk Factors

Foreseeable risks that may materially impact the business are disclosed in the Chairman's review on page 10 and Risk Management Practices on page 58 to 62 of this report.

Land Holdings

The Company does not own any freehold or leasehold land or buildings (the subsidiary company La Forteresse (Pvt) Ltd holds leasehold rights of the lands on which the hotel buildings are constructed and Alila Hotels & Resorts (Pvt) Ltd holds the ownership of the land at Thalarambe, Weligama).

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

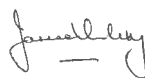
The Annual General Meeting will be held on 28 June, 2017 at 09.30 a.m. at the Auditorium of the L B Finance PLC, Corporate Office, No.20, Dharmapala Mawatha, Colombo 03.

The notice of the Annual General Meeting appears on page 125.

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



Dhammika Perera
Chairman



J A S Adhihetty
Managing Director



Anusha Wijesekara
P W Corporate Secretarial (Pvt) Ltd
Secretaries

16 May 2017
Colombo

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 Eleven (11) members (of whom two have Alternate Directors), Nine (09) Directors including the Chairman are Non-Executive Directors.

The names of the Directors who served during the year under review are given on page 63.

The Board has determined that 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 C J Wickramasinhe and S Senaratne, who are Non-Executive Directors of Amaya Leisure PLC (Amaya) in which four (4) Directors (and an Alternate Director) of the Company are Directors and collectively have a significant shareholding, shall nevertheless be treated as Independent Directors, on the basis that these Directorships and shareholdings in Amaya do not compromise the independence and objectivity of the said Directors in discharging the functions as Independent Directors.

Chairman and Managing Director

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

Mr. 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.

Corporate Governance Contd.

During the year ended 31st March 2017, 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	Non-Executive	03/04
Mr. J A S S Adhihetty	Executive	04/04
Mr. W A C J Wickramasinghe	Independent Non-Executive	00/04
Mr. L T Samarawickrama	Non-Executive	03/04
Mr. Malik J Fernando	Non-Executive	02/04
Mr. Merrill J Fernando	Non-Executive	00/04
Mr. S Senaratne	Independent Non-Executive	02/04
Mr. L N de Silva Wijeyeratne	Independent Non-Executive	03/04
Mr. Denesh E Silva	Non-Executive	02/04
Mr. Hareesh Somashantha (Alternate Director to Mr. L T Samarawickrama)		01/04
Mr. P B Perera (Resigned w.e.f 8.03.2017)	Non-Executive	00/04
Mr. C V Cabraal	Independent/Non-Executive	03/04
Mr. W D N H Perera (Alternate Director to Mr. P B Perera) Ceased w.e.f.8.03.2017		04/04
Ms. A A K Amarasinghe (Alternate Director to Mr. Dhammika Perera		02/04

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 three Sub Committees the Audit Committee, Remuneration Committee and the Related Party Transaction Review Committee

Audit Committee

The Audit Committee consists of five (5) Non-Executive Directors, three (03) of whom are Independent Directors. It is chaired by Mr. L N de S Wijeyeratne, who is a Fellow member of the Institute of Chartered Accountants of Sri Lanka.

The Senior Management attends the meetings by invitation.

Remuneration Committee

The Remuneration Committee consists of three (3) Non-Executive Directors, two of whom are Independent Directors. Mr. W A C J Wickramasinghe 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.

Related Party Transaction Review Committee

The Related Party Transaction Review Committee consists of three (3) directors. Mr. L N de S Wijeratne is the Chairman of the Committee and Mr. J A S S Adhihetty and Mr. L T Samarawickrama are members.

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 80 of this Report.

Internal Controls

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

Corporate Disclosure and Shareholder Relationship

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

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

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

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 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

16 May 2017

Corporate Governance Contd.

Compliance with Continuing Listing Rules - Check List

Compliant ☒ Non Compliant ☐

Rule No	Subject	Applicable requirement	Compliance Status	Applicable section in the Annual Report
7.10.1 (a)	Non-Executive Directors	At least one third of the total number of Directors should be Non-Executives.	<input checked="" type="checkbox"/>	Corporate Governance
7.10.2 (a)	Independent Directors	Two or one third of Non-Executive Directors which ever is higher should be Independent.	<input checked="" type="checkbox"/>	Corporate Governance
7.10.2 (b)	Independent Directors	Each Non-Executive Director should submit a declaration of Independence, non independence in the prescribe format.	<input checked="" type="checkbox"/>	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.	<input checked="" type="checkbox"/>	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.	<input checked="" type="checkbox"/>	Corporate Governance
7.10.3 (c)	Disclosure relating to Directors	A brief resume of each Director should be included in the Annual Report including the areas of expertise.	<input checked="" type="checkbox"/>	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.	<input checked="" type="checkbox"/>	Corporate Governance and Board of Directors (profile) section in the AR.
7.10.5	Remuneration Committee	A Listed company shall have a Remuneration Committee.	<input checked="" type="checkbox"/>	Corporate Governance and the Remuneration Committee Report
7.10.5 (a)	Composition of Remuneration Committee.	Shall comprise of Non-Excutive Directors a majority of whom will be independent.	<input checked="" type="checkbox"/>	Corporate Governance and the Remuneration Committee Report
7.10.5 (b)	Functions of Remuneration Committee	The Remuneration Committee shall recommend the remuneration of Chief Excutive Officer and Non-Executive Directors.	<input checked="" type="checkbox"/>	The Remuneration Committee Report
7.10.5 (c)	Disclosure in the Annual Report relating to Remuneration Committee.	The Annual Report should set out (a) Names of Directors comprising the RC. (b) Statement of Remuneration Policy. (c) Aggregated remuneration paid to NED/NID/ID. (d) Statement of remuneration committee.	<input checked="" type="checkbox"/>	Corporate Governance and the Remuneration Committee Report
7.10.6	Audit Committee	The company shall have an Audit Committee	<input checked="" type="checkbox"/>	Corporate Governance

Rule No	Subject	Applicable requirement	Compliance Status	Applicable section in the Annual Report
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 Audit Committee Report.
		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 checked="" type="checkbox"/>	Audit Committee Report
7.10.6 (c)	Disclosure in the Annual Report relating to Audit Committee.	a) Names of the Directors comprising the Audit Committee.	<input checked="" type="checkbox"/>	Corporate Governance and the Board Committee Reports and Audit Committee Report
		b) The Audit Committee shall make a determination of the independence of the Auditors and disclose for such determination.	<input checked="" type="checkbox"/>	
		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"/>	

Code Ref.	Subject	Applicable Requirement	Adoption Status	Applicable Section in the Annual Report
A.1 DIRECTORS - Board				
A.1.1	Frequency of Board Meetings	Board should meet regularly, at least once in every quarter	<input checked="" type="checkbox"/>	Corporate Governance / AR of the BOD
A.1.2	Responsibilities of the Board	Formulation and implementation of strategy.	<input checked="" type="checkbox"/>	Corporate Governance
		Skill adequacy of management and succession	<input checked="" type="checkbox"/>	
		Integrity of information, internal controls and risk management	<input checked="" type="checkbox"/>	
		Compliance with laws, regulations and ethical standards	<input checked="" type="checkbox"/>	
		Code of conduct	<input checked="" type="checkbox"/>	
		Adoption of appropriate accounting policies	<input checked="" type="checkbox"/>	
A.1.3	Access to professional advice	Procedures to obtain independent professional advice	<input type="checkbox"/>	

Corporate Governance Contd.

Code Ref.	Subject	Applicable Requirement	Adoption Status	Applicable Section in the Annual Report
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"/>	
A.2 DIRECTORS - Chairman & Chief Executive Officer				
A.2.	Division of responsibilities to ensure no individual has unfettered powers of decision.	A balance of power and authority to be maintained by separating responsibility for conducting Board business from that of executive decision making	<input type="checkbox"/>	
A.3 DIRECTORS - Role of Chairman				
A.3	Ensure good corporate governance	Chairman to preserve order and facilitate effective discharge of board functions by proper conduct of Board meetings.	<input checked="" type="checkbox"/>	Corporate Governance
A.4 DIRECTORS - Financial Acuman				
A.4	Possession of adequate financial acumen	Board to ensure adequacy of financial acumen and knowledge within Board.	<input checked="" type="checkbox"/>	Corporate Governance
A.5 DIRECTORS - Board Balance				
A.5.1	Composition of Board	The Board should include a sufficient number of non - executive independent directors.	<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

Code Ref.	Subject	Applicable Requirement	Adoption Status	Applicable Section in the Annual Report
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 checked="" type="checkbox"/>	Available with Company Secretary
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	
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	
A.6 DIRECTORS - Supply of information				
A.6.1	Provision of adequate information to Board	Management to ensure the board is provided with timely and appropriate information.	<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 checked="" type="checkbox"/>	

Corporate Governance Contd.

Code Ref.	Subject	Applicable Requirement	Adoption Status	Applicable Section in the Annual Report
A.7 DIRECTORS - Appointment to the Board				
A.7.1	Nomination Committee	Nomination committee of parent may function as such for the Company and make recommendations to the Board on new Board appointments.	<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 checked="" type="checkbox"/>	
A.8 DIRECTORS - Re - election				
A.8.1	Appointment of non - executive directors	Appointment of non - executive directors should be for specified terms and re - election should not be automatic	<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"/>	
A.9 DIRECTORS - Appraisal of Board Performance				
A.9.1	Annual appraisal of Board performance	The Board should annually appraise how effectively it has discharged its key responsibilities	<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"/>	
A.10 DIRECTORS -Disclosure of information in respect of Directors				
A.10.1	Biographical profiles and relevant details of Directors to be disclosed	Annual report should disclose the biographical details of directors and attendance at board/ committee meetings	<input checked="" type="checkbox"/>	Board of Directors , Corporate Governance / Audit Committee Report.
A.11 DIRECTORS - Appraisal of Chief Executive Officer				
A.11.1	Short , medium and long term , financial and non - financial objectives to be set.	The Board should set out the short, medium and long term, financial and non - financial objectives at the commencement of each year.	<input type="checkbox"/>	
A. 11.2	Evaluation of CEO performance	The performance of the CEO should be evaluated by the Board at the end of the year.	<input type="checkbox"/>	

Code Ref.	Subject	Applicable Requirement	Adoption Status	Applicable Section in the Annual Report
8.1 DIRECTORS REMUERATION - Remuneration Procedure				
8.1.1	Appointment of Remuneration Committee	Remuneration Committee of parent may function as such for the Company to make recommendations on directors remuneration	<input checked="" type="checkbox"/>	
8.1.2	Composition of Remuneration Committee	Board to appoint only non - executive directors to serve on Remuneration Committee.	<input checked="" type="checkbox"/>	Remuneration Committee Report
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"/>	
8.2 DIRECTORS REMUNERATION - Level and Make up of Remuneration				
8.2.1	Remuneration packages for executive directors.	Packages should be structured to attract, retain and motivate executive directors	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 remuneration committee should be sensitive to that of other Group companies	<input type="checkbox"/>	
8.2.4	Performance related elements of remuneration	Performance related elements of remuneration should be aligned with 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	

Corporate Governance Contd.

Code Ref.	Subject	Applicable Requirement	Adoption Status	Applicable Section in the Annual Report
8.3 DIRECTORS REMUERATION - Disclosure of Remuneration				
8.3	Disclosure of details of remuneration	The Annual Report should disclose the remuneration paid to directors	<input checked="" type="checkbox"/>	Financial Statements note
C . 1 RELATIONS WITH SHARE HOLDERS - Constructive use and conduct of Annual General Meeting				
C.1.1	Proxy votes to be counted	The company should count and indicate the level of proxies lodged for and against in respect of each resolution	<input checked="" type="checkbox"/>	Form of Proxy
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
C.2 MAJOR TRANSACTIONS				
C.2.1	Disclosure of Major Transactions	Transactions that have a value which are greater than half of the net assets of the Company should be disclosed	<input checked="" type="checkbox"/>	Corporate Governance / Annual Report of the Board of Directors
D.1 ACCOUNTABILITY AND AUDIT - Financial Reporting				
D.1.1	Presentation of public reports	Should be balanced, understandable and comply with statutory and regulatory requirements	<input checked="" type="checkbox"/>	Management Discussion / Corporate Governance / Risk Management / Financial Statements

Code Ref.	Subject	Applicable Requirement	Adoption Status	Applicable Section in the Annual Report
D.1.2	Directors Report	The Directors Report should be included in the Annual and confirm that	<input checked="" type="checkbox"/>	Audit Committee Report Annual Report of the Board of Directors
		The company has not contravened laws or regulations in conducting its activities	<input checked="" type="checkbox"/>	
		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 and Analysis
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
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	

Corporate Governance Contd.

Code Ref.	Subject	Applicable Requirement	Adoption Status	Applicable Section in the Annual Report
D.2 ACCOUNTABILITY AND AUDIT - Internal Control				
D.2.1	Effectiveness of system of internal controls	Directors to annually conduct a review of the effectiveness of the system of internal controls. This responsibility may be delegated to the Audit Committee	<input checked="" type="checkbox"/>	Audit Committee Report / Risk Management
D.3 AUDIT COMMITTEE				
D.3.1	Chairman and Composition of Audit Committee	Should comprise of a minimum of two independent non - executive directors	<input checked="" type="checkbox"/>	Audit Committee Report
		Audit Committee Chairman should be appointed by the Board	<input 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 type="checkbox"/>	Corporate Governance/Audit Committee Report
		Independence and objectivity of the Auditors	<input type="checkbox"/>	
D.3.3	Terms of Reference / Charter	The Audit Committee should have a written terms of reference which define the purpose of the Committee and its duties and responsibilities	<input checked="" type="checkbox"/>	Corporate Governance/Audit Committee Report
D.3.4	Disclosures	The Annual Report should disclose the names 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"/>	Corporate Governance
		The Annual Report should contain a report by the Audit Committee setting out the manner of the compliance of the Company during the period to which the report relates.	<input checked="" type="checkbox"/>	Audit Committee Report

Code Ref.	Subject	Applicable Requirement	Adoption Status	Applicable Section in the Annual Report
D.4 CODE OF BUSINESS CONDUCT AND ETHICS				
D.4.1	Adoption of Code of Business Conduct and Ethics	The company must adopt a Code of Business Conduct and Ethics for directors and members of the senior management team and promptly disclose any violation of the Code	<input type="checkbox"/>	
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	<input checked="" type="checkbox"/>	Chairman's Statement / Annual Report of the Board of Directors
D.5 CORPORATE GOVERNANCE DISCLOSURES				
D.5.1	Corporate Governance Report	The Annual Report should include a report setting out the manner and extent to which the company has adopted the principles and provisions of the Code of Best Practise on Corporate Governance	<input checked="" type="checkbox"/>	Corporate Governance
E. INSTITUTIONAL INVESTORS - Structured Dialogue				
E.1	Structured Dialogue with Shareholders	A regular and structured dialogue should be conducted with shareholders and the outcome of such dialogue should be communicated to the Board by the Chairman	<input checked="" type="checkbox"/>	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	<input type="checkbox"/>	
F. OTHER INVESTERS - Investment / Divestment decisions				
F.1	Individual Investors	Individual shareholders should be encouraged to carry out adequate analysis and seek professional advice when making their investment / divestment decisions.	<input checked="" type="checkbox"/>	Corporate Governance
F.2.	Shareholder Voting	Individual shareholders should be encouraged to participate and exercise their voting rights	<input checked="" type="checkbox"/>	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 2017/2018, 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 prevent and detect of fraud and other irregularities.

By Order of the Board
The Fortress Resorts PLC



P W Corporate Secretarial (Pvt) Ltd
Secretaries

16 May 2017

Remuneration Committee Report

Composition

The remuneration committee report consisted of three non – executive Directors, two of whom are Independent Directors. The following Directors are serve on the committee:

Mr. W A C J Wickramasinghe (Chairman)
Mr. S Senaratne
Mr. Malik J Fernando

Meetings

The committee as often as necessary to make recommendations on compensation structures and bonuses, increments and also on matters pertaining to recruitment of key management personal to ensure that the management and staff at all levels are adequately rewarded for their performance and commitment to the Company's goals on a competitive basis.

The Managing director and the Executive Directors attend meetings of the committee by invitation and provide relevant information and their views to the committee for its deliberations, except when the Executive Director's remuneration packages and other matters relating to them are discussed.

Functions

The functions of the committee include making recommendations to the board on the compensation and benefits of the Executive Director and key management personal. The primary objective of the remuneration policy of the company is to attract and retain a highly qualified and experienced workforce and reward their performance commensurate with each employee's level of experience and contribution, bearing in mind the business performance and long term shareholder return.

Directors' remuneration

The total of Directors' remuneration paid during the year under review is set out in note 22.2 to the financial statements.



W A C J Wickramasinghe
Chairman
Remuneration committee

16 May 2017

Audit Committee Report

Terms of reference, principal focus and medium of reporting

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

Committee composition, meetings held and attendance

The Audit Committee consists of four members.

The members of the Board appointed Audit Committee are;

- a. Mr. L N De S Wijeyeratne
- (Chairman)
- b. Mr. S Senaratne
- c. Mr. C J Wickramasinghe
- d. Mr. Malik J Fernando
- e. Mr. L T Samarawickrama

The Company Secretary functions as the Secretary to the Audit Committee

The Chairman of the Audit Committee is a Fellow of the Institute of Chartered

Accountants of Sri Lanka. All non-executive directors satisfy the criteria for independence as specified in the standards on Corporate Governance for listed Companies issued by the Securities and Exchange Commission of Sri Lanka. The Audit committee reports directly to the Board. The individual and collective financial and hotel industry specific knowledge, business experience and the independence of members are brought to bear on all matters, which fall within the committee's purview. The Managing Director, Director / General Manager & Hotel Chief Finance Officer attend audit meetings by invitation. Outsourced Internal Auditors (BDO partners) are required to attend meetings on a regular basis. The committee met four times in connection with the financial year ended 31st March 2017.

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 year end 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 2018, subject to the approval of the shareholders at the next Annual General Meeting.



L.N. de S. Wijeyeratne (FCA)
Chairman
Audit Committee

16 May 2017

Related Party Transactions Review Committee Report

In accordance with the Colombo Stock Exchange Listing Rules, the Related Party Transactions Review Committee (RPTRC) of The Fortress Resorts PLC functioning as the Related Party Transactions Review Committee of the Group.

Composition of the Committee

The members of the RPTRC are as follows.

1. Mr. L.N de Silva Wijeyeratne (Chairman)- Independent Non Executive Director
2. Mr. J A S S Adhihetty - Executive Director
3. Mr. L T Samarawickrama - Non Executive Director

Meetings of the Related Party Transactions Review Committee

The Fortress Resorts PLC - RPTRC had three (03) meetings during the financial year to discuss matters relating to the Company. The attendance of the Members of the Committee was as follows.

	Meetings attended (out of 03)
Mr. L N de Silva Wijeyeratne	03
Mr. J A S S Adhihetty	03
Mr. L T Samarawickrama	03

Purpose of the Committee

The objective of the RPTRC is to review all Related Party Transactions (RPTs) of the listed company of the Group, other than those exempted by the 'Related Party Transactions Compliance Code' (RPT code), prior to the transaction being entered in to or, if the transaction is expressed to be conditional on such review, prior to the completion of the transaction.

Policies and procedures

- The RPTRC reviews all the Related party Transactions of the listed company of the Fortress group and where the Committee decides that the approval of the Board of Directors of the respective company is necessary to approve a Related Party Transaction, such Board approval obtained prior entering into the relevant Related Party Transaction.
- When reviewing a transaction, the RPTRC would decide whether the proposed transaction is carried out on an arm's length basis irrespective of whether it is recurrent or non-recurrent in nature.
- Reviewing and approval would be either by meeting of members (subject to quorum being present) or by circulation.
- In determining whether to obtain the approval of the Board of Directors for a Related Party Transaction, the RPTRC

will take in to account, among other factors it deems appropriate, whether the proposed RPTs pose a conflict of interest to the Directors.

During the year, the Subsidiary Company (La Forteresse Pvt Ltd) purchased 36.4 million equity shares of "Alila Hotels and Resorts (Pvt) Ltd" for the consideration of Rs. 364 million and Subsidiary company amounted to a Non-Recurrent Related Party Transaction as per the RPT Code. This Committee has reviewed and approved the purchase transaction in accordance with the Code.

The self-declarations from the directors and key Management Personnel are obtained for the purpose of identifying parties related to them. Further the guidelines which senior management must follow in routing Related Party Transactions to the relevant forum, including transaction threshold values and pricing where applicable, have been documented even in the case of once approved recurrent transactions which are operational nature, which as per the RPT Code need to be repeatedly approved if within the broad thresholds.

The RPTRC in discharging its function has introduced processes and periodic reporting by the relevant entities with a view to ensuring that:

- There is compliance with the Code
- Shareholder interests are protected and
- Fairness and transparency are maintained

The Committee has criteria for designating the Fortress Group Key Management Personnel. Further, processes have been introduced to obtain annual disclosures from all Key Management Personnel so designated.

The Related Party Transactions of the Company for the period 01st April 2016 to 31st March 2017 have been reviewed by the members of the RPTRC and the comments and observations of the Committee have been communicated to the Board of Directors of the Company. The approval of the shareholders has been obtained and announcements were made to the Colombo Stock Exchange where applicable.



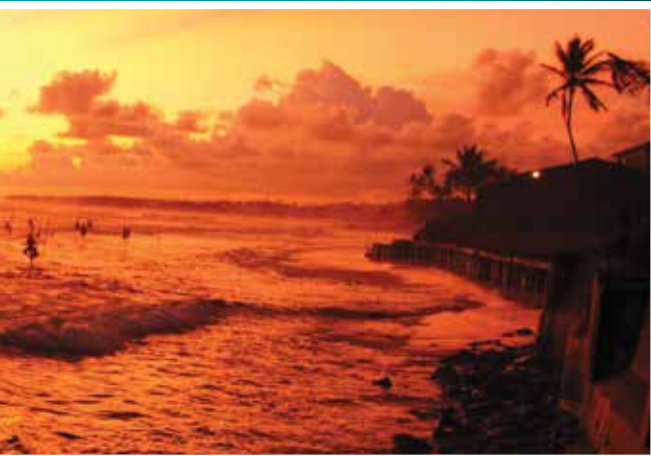
L N de Silva Wijeyeratne
Chairman

Related Party Transactions Review Committee
The Fortress Resorts PLC

16 May 2016
Colombo



Lasting tranquility



With a seemingly infinite array of facilities, services and activities to engage you with and the magnificence of nature in the hotel's vicinity, any traveller will be made to feel at home. Unwind and laze the hours away by lounging on a comfortable sun bed with a refreshing cold drink in hand by the poolside while listening to the gentle murmur of the waves crashing onto the shore. You also have the option of surrendering your inhibitions to the tropical sun by the beach and taking in spectacular views, all while simultaneously basking in the epitome of luxury during your stay at the Fortress.

Financial Reports

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Statement of Financial Position **089** | Statement of Changes in Equity **090** | Statement of Cash Flows **091**
Notes to the Financial Statements **093**

Independent Auditors' Report



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Chartered Accountants
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TO THE SHAREHOLDERS OF THE FORTRESS RESORTS PLC

Report on the Financial Statements

We have audited the accompanying financial statements of The Fortress Resorts PLC, ("the Company"), and the consolidated financial statements of the Company and its subsidiaries ("Group"), which comprise the statement of financial position as at March 31, 2017, and the statement of profit and loss and other comprehensive income, statement of changes in equity and, statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

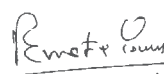
In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 March 2017, and of its financial performance and cash flows

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:

- a) The basis of opinion, scope and limitations of the audit are as stated above.
- b) 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 and,
 - The financial statements of the Company give a true and fair view of its financial position as at March 31, 2017, 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.


16 May 2017
Colombo

Partners: W R H Fernando 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 K B S P Fernando FCA FCMA
Ms. K R M Fernando FCA ACMA 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 FCMA
Principal T P M Ruberu FCMA FCCA

A member firm of Ernst & Young Global Limited

Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 March	Note	Group		Company	
		2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Revenue	4	625,422,392	672,478,996	-	-
Cost of Sales		(191,738,064)	(170,189,496)	-	-
Gross Profit		433,684,328	502,289,500	-	-
Other Income and Gains	5	33,504,889	30,887,371	-	135,001,350
Selling and Marketing Expenses		(28,774,374)	(27,725,300)	-	-
Administrative Expenses		(327,155,362)	(299,855,485)	(5,964,265)	(6,750,330)
Finance Cost	6.1	(404,751)	(1,125,592)	-	-
Finance Income	6.2	52,096,323	41,981,404	-	-
Profit/(Loss) before Tax	7	162,951,053	246,451,898	(5,964,265)	128,251,020
Income Tax Expenses	8	(28,086,513)	(58,697,621)	-	-
Profit/(Loss) for the year		134,864,540	187,754,277	(5,964,265)	128,251,020
Other Comprehensive Income/(Loss)					
Other comprehensive loss not to be reclassified to profit or loss in subsequent periods					
Actuarial Loss on Defined Benefit Plan	19	(1,184,459)	(381,183)	-	-
Income Tax Effect		142,135	45,742	-	-
Net other comprehensive loss not to be reclassified to profit or loss in subsequent periods		(1,042,324)	(335,441)	-	-
Other comprehensive loss for the year, net of tax		(1,042,324)	(335,441)	-	-
Total Comprehensive Income/(loss) for the Year, net of tax		133,822,216	187,418,836	(5,964,265)	128,251,020
Profit and Total Comprehensive income/loss attributable to:					
Entire profit and total comprehensive income is attributable to the equity holders of the parent.					
Basic Earnings per Share	9.1	1.22	1.69	(0.05)	1.16
Dividend per Share	9.2	-	1.00	-	1.00

The Accounting Policies and Notes on pages 93 to 120 form an integral part of these Financial Statements.

Statement of Financial Position

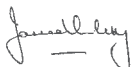
		Group		Company	
As at 31 March		2017	2016	2017	2016
	Note	Rs.	Rs.	Rs.	Rs.
ASSETS					
Non-Current Assets					
Property, Plant and Equipment	10	1,358,190,948	968,649,988	-	-
Investments in Subsidiary	11	-	-	1,000,009,990	1,000,009,990
Intangible Assets	12	2,498,022	3,626,151	-	-
		1,360,688,970	972,276,139	1,000,009,990	1,000,009,990
Current Assets					
Inventories	14	23,383,546	18,978,014	-	-
Trade and Other Receivables	15	34,642,289	37,369,283	104,428,904	110,254,895
Advances and Prepayments		32,679,931	30,373,862	-	-
Income Tax Receivables		-	137,474	-	137,473
Short Term Deposits	16	318,760,703	475,768,630	-	-
Cash and Cash Equivalents	17	21,722,080	103,967,060	468,611	16,763
		431,188,549	666,594,323	104,897,515	110,409,131
Total Assets		1,791,877,519	1,638,870,462	1,104,907,505	1,110,419,121
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)		505,654,780	371,832,564	(4,713,429)	1,250,836
Equity attributable to Equity Holders of the Parent		1,614,521,620	1,480,699,404	1,104,153,411	1,110,117,676
Non Controlling Interest		1,000	-	-	-
Total Equity		1,614,522,620	1,480,699,404	1,104,153,411	1,110,117,676
Non-Current Liabilities					
Interest Bearing Loans and Borrowings	13.1	22,010,309	-	-	-
Retirement Benefit Obligation	19	12,331,875	10,404,171	-	-
Deferred Tax Liability	8.3	35,256,404	37,013,704	-	-
		69,598,588	47,417,875	-	-
Current Liabilities					
Trade and Other Payables	20	86,342,533	82,139,928	754,094	253,200
Income Tax Payables		10,115,486	22,165,778	-	-
Interest Bearing Loans and Borrowings	13.1	11,298,292	6,447,477	-	48,245
		107,756,311	110,753,183	754,094	301,445
Total Equity and Liabilities		1,791,877,519	1,638,870,462	1,104,907,505	1,110,419,121

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

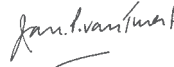


Chief Financial Officer

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 93 to 120 form an integral part of these Financial Statements.

Statement of Changes in Equity

Year ended 31 March 2017

Group	Attributable to the equity holders of the parent			Total
	Stated Capital Rs.	Accumulated Profit Rs.	Non Controlling Interest	
				Rs.
Balance as at 01 April 2015	1,108,866,840	295,300,412	-	1,404,167,252
Profit for the year	-	187,754,277	-	187,754,277
Other Comprehensive Income	-	(335,441)	-	(335,441)
Dividends (Note 9.2)	-	(110,886,684)	-	(110,886,684)
Balance as at 31 March 2016	1,108,866,840	371,832,564	-	1,480,699,404
Investment in subsidiary (Note 2.2.1.1A)	-	-	1,000	1,000
Profit for the year	-	134,864,540	-	134,864,540
Other Comprehensive loss	-	(1,042,324)	-	(1,042,324)
Balance as at 31 March 2017	1,108,866,840	505,654,780	1,000	1,614,522,620
Company		Stated Capital Rs.	Accumulated Profit/(Loss) Rs.	Total Rs.
Balance as at 1 April 2015		1,108,866,840	(16,113,500)	1,092,753,340
Profit for the year		-	128,251,020	128,251,020
Dividends (Note 9.2)		-	(110,886,684)	(110,886,684)
Balance as at 31 March 2016		1,108,866,840	1,250,836	1,110,117,676
Loss for the year		-	(5,964,265)	(5,964,265)
Balance as at 31 March 2017		1,108,866,840	(4,713,429)	1,104,153,411

The Accounting Policies and Notes on pages 93 to 120 form an integral part of these Financial Statements.

STATEMENT OF CASH FLOWS

Year ended 31 March	Note	Group		Company		
		2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.	
Cash Flows from/(used in) Operating Activities						
Profit/(Loss) before Tax		162,951,053	246,451,898	(5,964,265)	128,251,020	
Adjustments for						
Depreciation		100,870,861	98,697,210	-	-	
Amortization	12	2,053,050	1,829,208	-	-	
Finance Cost	6.1	404,751	1,125,592	-	-	
Finance Income	6.2	(52,096,323)	(41,981,404)	-	-	
Dividend Income		-	-	-	(135,001,350)	
Income Tax receivable write-off		137,474	-	137,474	-	
Loss/(Profit) on Disposal of Property, Plant and Equipment		(4,952,866)	631,942	-	-	
Provision for Defined Benefit Obligation		2,796,847	3,028,072	-	-	
Operating Profit/(Loss) before Working Capital Changes		212,164,848	309,782,519	(5,826,791)	(6,750,330)	
(Increase)/Decrease in Inventories		(4,405,532)	(776,641)	-	-	
(Increase)/Decrease in Trade and Other Receivables and Prepayments		283,451	(7,335,988)	5,825,991	(17,432,171)	
Increase/(Decrease) in Trade and Other Payables		190,790	13,973,775	500,894	1,000	
Cash Generated from/(used in) Operations		208,233,557	315,643,665	500,094	(24,181,501)	
Finance Cost paid		6.1	(404,751)	(1,125,592)	-	-
Defined Benefit Obligation paid		19	(2,053,602)	(1,838,169)	-	-
Income Tax paid			(41,751,983)	(36,513,515)	-	-
Net Cash from/(used in) Operating Activities		164,023,220	276,166,388	500,094	(24,181,501)	
Cash Flows from/(used in) Investing Activities						
Investment in Subsidiary	2.2.1.1.B	5,459,837	-	-	-	
Proceeds from Disposal of Property Pant and Equipment		6,335,195	1,203,780	-	-	
Acquisition of Property, Plant and Equipment	10.4	(466,106,069)	(25,488,293)	-	-	
Acquisition of Intangible Assets	12	(924,922)	(1,883,787)	-	-	
Investment in Fixed deposits		(199,231,370)	(360,000,000)	-	-	
Withdrawal of Fixed Deposits		365,000,000	-	-	-	
Finance Income Received		43,335,619	31,212,774	-	-	
Dividend Received	-	-	-	-	135,001,350	
Net Cash from/(used in) Investing Activities		(246,131,710)	(354,955,525)	-	135,001,350	

Statement of Cash Flows Contd.

Year ended 31 March		Group		Company	
		2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
	Note				
Cash Flows from/(used in) Financing Activities					
Principal Payments under Finance Lease Liabilities	13.2	(3,405,933)	(9,975,098)	-	-
Dividend Paid	9.2	-	(110,886,684)	-	(110,886,684)
Net Cash from/(used in) Financing Activities		(3,405,933)	(120,861,782)	-	(110,886,684)
Net Increase/(Decrease) in Cash and Cash Equivalents					
		(85,514,423)	(199,650,920)	500,094	(66,835)
Cash and Cash Equivalents at the beginning of the year		99,996,442	299,647,362	(31,483)	35,352
Cash and Cash Equivalents at the end of the year	17	14,482,019	99,996,442	468,611	(31,483)

The Accounting Policies and Notes on pages 93 to 120 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 subsidiaries Company "La Forteresse (Private) Limited".

The consolidated financial statements of The Fortress Resorts PLC and its subsidiaries (collectively, the Group) for the year ended 31 March 2017 were authorized for issue in accordance with a resolution of the directors on 16 May 2017.

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. Previous year's figures and phrases have been re-arranged whenever necessary to conform to current presentation.

2.2 Business Combinations and Basis of Consolidation

2.2.1 Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date as part of the business combination. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of LKAS 39

Financial Instruments: Recognition and Measurement, is measured at fair value with the changes in fair value recognised in the statement of profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

2.2.1.1 Investment in Alila Hotels and Resorts (Pvt) Ltd

On 20th December 2016, the Group has invested Rs. 364,000,000/ to purchase 99.99% of equity shares of Alila Hotels and Resorts (Pvt) Ltd, an unlisted company incorporated in Sri Lanka. Alila Hotels and Resorts (Pvt) Ltd previously owned by Key Management Personnel Related persons of the Group.

Notes to the Financial Statements Contd.

A. Assets and liabilities as at the date of investment

The fair values of the identifiable assets and liabilities of Alila Hotels and Resorts (Pvt) Ltd as at the date of investment were:

	Fair values Rs.
Assets	
Cash and Cash Equivalents	5,459,837
	5,459,837
Liabilities	
Other Liabilities	5,458,837
	5,458,837
Total identifiable net assets at fair value	1,000
Non-Controlling Interest	1,000

B. Cash Flow on Investment

	Rs.
Cash held with the subsidiary	5,459,837
Net cash flow on investment	5,459,837

C. Purchase Consideration

The Group has settled the entire purchase consideration by cash on the date of investment.

D. Non-Controlling Interest

The Group has elected to measure the non-controlling interests at fair value.

2.2.2 Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 March 2017. 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 subsidiaries begins when the Group obtains control over the subsidiaries and ceases when the Group loses control of the subsidiaries. Assets, liabilities, income and expenses of a subsidiaries 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 subsidiaries.

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 subsidiaries, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiaries, 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.

2.2.2.1 Subsidiaries

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

Subsidiaries	2017	2016
La Forteresse (Private) Limited	100%	100%
Alila Hotels and Resorts (Private) Limited	99.99%	-

The principal activities of the Subsidiaries are provision of lodging, food, beverage and other hospitality industry related activities. Alila Hotels and Resorts (Pvt) Ltd has acquired Land to construct five star hotel in Mirissa.

The Financial Statements of the subsidiaries 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 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 recognized 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 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.

La Forteresse (Private) Limited

The profits and income of the Company arising on provision of tourism related services is liable for taxation at the rate of 12% (2015/16:12%) in terms of section 46 of Inland Revenue Act No. 10 of 2006 and amendments thereto.

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 subsidiaries 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 (Rs), 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 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 balance lease period
Buildings on Leasehold Land - Administration	over the balance lease period
Plant and Equipment	10 years
Furniture and Fittings	6-10 years
Fixtures and Fittings	6-10 years
Computer Equipment	05 years
Telephone Equipment	04 years
Kitchen Equipment	04 years
Electrical Equipment	6-10 years
Linen and Furnishing	04 years
Crockery of Cutlery	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.

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,

Notes to the Financial Statements Contd.

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 costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the 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 is measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

Internally generated 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.

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.

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.

Notes to the Financial Statements Contd.

The Group's financial liabilities include trade and other payables and loans and borrowings including 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 House Keeping and Maintenance and Other	}	Weighted Average Basis
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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 costs 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 recognized 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 2017 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 09 establish principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users for assessment of amount, timing and uncertainty of entity's future cash flows.

This standard is effective for annual periods beginning on or after 01 January 2018.

(ii) 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 2018.

(iii) SLFRS 16 - Leases

SLFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under LKAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets

and short-term. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

SLFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies SLFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

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.

Notes to the Financial Statements Contd.

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:

- Financial risk management and policies - Note 24
- Sensitivity analyses disclosures - Note 24
- Capital management - 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. 47, 880,873/- (2016 - 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

Year ended 31 March	Group		Company	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Revenue (Note 4.1)	625,422,392	672,478,996	-	-
	625,422,392	672,478,996	-	-
4.1 Revenue				
Apartment Revenue	386,137,572	433,651,638	-	-
Restaurant Sales	156,233,594	154,471,103	-	-
Bar Sales	58,439,870	58,576,087	-	-
Spa Income	24,611,357	25,780,168	-	-
	625,422,392	672,478,996	-	-

5. OTHER INCOME AND GAINS

	Group		Company	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Laundry Income	3,985,001	7,232,027	-	-
Transport Income	3,201,378	3,795,479	-	-
Excursions Income	6,077,324	5,896,883	-	-
Boutique Income	3,109,976	2,722,886	-	-
Sundry Income	6,194,369	5,456,312	-	-
Rental Income	5,666,432	5,783,784	-	-
Dividend Income	-	-	-	135,001,350
Profit on Disposal Property, Plant and Equipment	4,952,866	-	-	-
Exchange Gains	317,543	-	-	-
	33,504,889	30,887,371	-	135,001,350

6. FINANCE COST AND INCOME

	Group		Company	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
6.1 Finance Cost				
Interest Expense on Bank Overdrafts	41,838	10,012	-	-
Finance Charges on Lease Liabilities	362,913	1,115,580	-	-
	404,751	1,125,592	-	-
6.2 Finance Income				
Interest Income	52,096,323	41,981,404	-	-
	52,096,323	41,981,404	-	-

Notes to the Financial Statements Contd.

7. PROFIT BEFORE TAX

	Group		Company	
Stated after Charging	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Included in Cost of Sales				
Employees Benefits including the following	46,583,671	41,374,053	-	-
- Defined Benefit Plan Cost				
- Gratuity (included in Employee Benefits)	631,859	686,409	-	-
- Defined Contribution Plan Cost				
- EPF and ETF (included in Employee Benefits)	4,056,182	3,521,094	-	-
Depreciation	4,271,720	6,198,374	-	-
Included in Administrative Expense				
Employees Benefits including the following	95,610,468	71,678,827	-	-
- Defined Benefit Plan Cost				
- Gratuity (included in Employee Benefits)	2,164,988	2,341,663	-	-
- Defined Contribution Plan Cost				
- EPF and ETF (included in Employee Benefits)	8,132,968	6,612,260	-	-
Depreciation	96,599,141	92,498,836	-	-
Amortization of Intangible Assets	2,053,050	1,829,208	-	-
Audit Fees	810,000	785,000	210,000	210,000
Charity and Donations	98,211	149,660	-	-
Land Rent	2,461,701	2,459,522	-	-
Loss on Disposal of Property, Plant and Equipment	-	631,942	-	-
Included in Selling and Marketing Expenses				
Advertising	8,904,756	3,917,481	-	-
Sales Promotion Expenses	12,782,462	17,035,206	-	-

8. INCOME TAX EXPENSE

The major components of income tax expense for the years ended 31 March 2017 and 2016 are:

	Group		Company	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Statement of Profit or Loss				
Current Income Tax				
Current Income Tax Charge (Note 8.1)	27,531,080	35,933,881	-	-
Dividend Tax	-	15,000,150	-	-
Adjustments in respect of current income tax of previous year	2,170,597	635,425	-	-
	29,701,677	51,569,456	-	-
Deferred Tax				
Relating to origination and reversal of temporary differences (Note 8.3)	(1,615,165)	7,128,165	-	-
Income tax expense reported in the Statement of Profit or Loss	28,086,513	58,697,621	-	-
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	142,135	45,742	-	-
Deferred tax charged to OCI	142,135	45,742	-	-

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

	Group		Company	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Taxable Profit/(Loss) from Business				
Accounting Profit/(Loss) before Income Tax	162,951,053	246,451,898	(5,964,265)	128,251,020
Disallowed Items	114,780,364	112,200,913	-	-
Allowed Items	(117,767,512)	(115,179,002)	-	-
Exempted Profit	-	-	-	(128,251,020)
Interest Income	(52,096,323)	(41,981,404)	-	-
Taxable Profit/(Loss) from Business	107,867,583	201,492,405	(5,964,265)	-
Other Sources of Income				
Gross Interest Income	52,096,323	41,981,404	-	-
Taxable Other Income	52,096,323	41,981,404	-	-
Total Statutory Income	159,963,906	243,473,809	-	-
Total Taxable Income	159,963,906	243,473,809	-	-
Income Tax @ 12% (2016 @ 12%)	12,944,110	24,179,088	-	-
Income Tax @ 28% (2016 @ 28%)	14,586,970	11,754,793	-	-
Current Income Tax Charge	27,531,080	35,933,881	-	-
8.2 Tax Losses Utilized				
Tax Losses Brought Forward	47,880,873	41,916,608	47,880,873	41,916,608
Tax Losses Carried Forward	47,880,873	41,916,608	47,880,873	41,916,608

La Forteresse (Private) Limited

The profit and income from business of La Forteresse (Private) Limited is liable for income tax as stated in Note 2.2.4 of these Financial Statements.

Notes to the Financial Statements Contd.

8. INCOME TAX EXPENSE Contd.

8.3 Deferred Tax - Group

	Statement of Financial Position		Statement of Profit or Loss	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Deferred Tax Liability				
Capital Allowances for Tax purpose	36,736,229	38,262,205	(1,525,975)	7,494,035
	36,736,229	38,262,205	(1,525,975)	7,494,035
Deferred Tax Assets				
Retirement Benefit Obligation - Through Income Statement	(1,291,948)	(1,202,759)	(89,189)	(365,869)
Retirement Benefit Obligation - Through Other Comprehensive Income	(187,877)	(45,742)	-	-
	(1,479,825)	(1,248,500)	(89,189)	(365,869)
Deferred Taxation Charge/(Reversal)	-	-	(1,615,165)	7,128,165
Net Deferred Tax Liability	35,256,404	37,013,704		
8.3.1 Reconciliation of Deferred Tax Charge / (Reversal)				
Deferred Tax Charge reported in the Statement of Profit or Loss			(1,615,165)	7,128,165
Deferred Tax Charge reported in Other Comprehensive Income			(142,135)	(45,742)
			(1,757,300)	7,082,423

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. 47,880,873/- (2016 - Rs.41,916,608/-) which is available indefinitely for offsetting against future Statutory Income of the Company subject to a limit of 35% of Statutory Income in each year of assessment. A deferred tax asset amounting to Rs. 13,406,644/- (2016 - Rs.11,736,650/-) has not been recognised in respect of this tax loss and other temporary differences which has resulted deferred tax assets as it is anticipated that the deferred tax asset will not realise in the foreseeable future.

9.1 Earnings/(loss) Per Share

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

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

Amounts used as the Numerator	Group		Company	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Profit/(Loss) attributable to Ordinary Shareholders for Basic Earnings/(Loss) per Share	134,864,540	187,754,277	(5,964,265)	128,251,020

Number of Ordinary Shares Used as the Denominator	Group		Company	
	2017 Number	2016 Number	2017 Number	2016 Number
Weighted Average Number of Ordinary Shares applicable to Basic Earning/(Loss) per Share	110,886,684	110,886,684	110,886,684	110,886,684
Earning/(Loss) per Share (Rs.)	1.22	1.69	(0.05)	1.16

	2017 Rs.	2016 Rs.
Dividend paid during the year	-	110,886,684
Dividend per Share (Rs.)	-	1.00

9.2 Dividend Per Share-Group/Company

10. PROPERTY, PLANT AND EQUIPMENT - GROUP

	Balance As at 01.04.2016 Rs.	Additions/ Transfers Rs.	Disposals/ Transfers Rs.	Balance As at 31.03.2017 Rs.
10.1 Gross Carrying Amounts				
At Cost				
Land	-	359,631,000	-	359,631,000
Buildings on Leasehold Land - Hotel	920,377,709	124,956	-	920,502,665
- Administration	44,748,078	5,405,405	-	50,153,483
Plant and Equipment	17,920,421	841,328	-	18,761,749
Furniture and Fitting	117,619,786	30,806,942	(2,303,581)	146,123,147
Fixtures and Fittings	47,121,117	19,094,008	(37,000)	66,178,125
Computer Equipment	22,664,433	2,470,526	(145,700)	24,989,259
Telephone Equipment	1,903,158	41,984	(2,700)	1,942,443
Kitchen Equipment	50,031,525	2,642,528	(114,990)	52,559,064
Electrical Equipment	138,639,890	12,211,825	(8,451,508)	142,400,207
Linen and Furnishing	13,500,677	10,735,782	(3,909,556)	20,326,903
Cutlery and Crockery	15,255,464	951,528	(4,185,117)	12,021,875
Other Equipment	16,427,373	334,731	(217,787)	16,544,317
Air Conditioners	12,061,340	388,251	-	12,449,591
Motor Vehicles	22,459,327	44,512,496	(7,919,175)	59,052,648
	1,440,730,300	490,193,290	(27,287,115)	1,903,636,475

Notes to the Financial Statements Contd.

10. PROPERTY, PLANT AND EQUIPMENT - GROUP (Contd.)

	Balance As at 01.04.2016 Rs.	Additions/ Transfers Rs.	Disposals/ Transfers Rs.	Balance As at 31.03.2017 Rs.
10.1 Gross Carrying Amounts Contd.				
Assets on Finance Leases				
Motor Vehicles	24,087,221	26,997,613	(24,087,221)	26,997,613
	24,087,221	26,997,613	(24,087,221)	26,997,613
Total Gross Carrying Amount	1,464,817,520	517,190,903	(51,374,336)	1,930,634,087
	Balance As at 01.04.2016 Rs.	Charge for the year/ Transfers Rs.	Disposals/ Transfers Rs.	Balance As at 31.03.2017 Rs.
10.2 Depreciation				
At Cost				
Buildings on Leasehold Land - Hotel	133,724,982	27,211,776	-	160,936,758
- Administration	8,096,421	1,346,687	-	9,443,108
Plant and Equipment	13,820,684	2,888,152	-	16,708,836
Furniture and Fittings	83,651,524	20,091,154	(1,712,443)	102,030,236
Fixtures and Fittings	28,192,272	7,110,220	(32,374)	35,270,118
Computer Equipment	13,711,383	2,992,889	(145,700)	16,558,572
Telephone Equipment	1,786,375	60,742	(2,700)	1,844,418
Kitchen Equipment	44,788,059	3,504,288	(49,385)	48,242,963
Electrical Equipment	90,964,081	19,409,439	(7,804,043)	102,569,476
Linen and Furnishing	6,563,752	4,106,378	(3,250,217)	7,419,914
Cutlery and Crockery	13,491,873	760,732	(3,470,717)	10,781,888
Other Equipment	14,469,393	979,246	(215,602)	15,233,036
Air Conditioners	6,258,840	1,392,700	-	7,651,539
Motor Vehicles	14,136,535	5,590,831	17,371,013	37,098,379
	473,656,173	97,445,234	687,832	571,789,239
Assets on Finance Leases				
Motor Vehicles	22,511,359	3,425,627	(25,283,086)	653,900
	22,511,359	3,425,627	(25,283,086)	653,900
Total Depreciation	496,167,532	100,870,861	(24,595,255)	572,443,139

10. PROPERTY, PLANT AND EQUIPMENT - GROUP (Contd.)

	2017 Rs.	2016 Rs.
10.3 Net Book Values		
At Cost		
Land	359,631,000	-
Buildings on Leasehold Land - Hotel	759,565,907	786,652,727
- Administration	40,710,375	36,651,657
Plant and Equipment	2,052,913	4,099,737
Furniture and Fittings	44,092,911	33,968,262
Fixtures and Fittings	30,908,007	18,928,845
Computer Equipment	8,430,688	8,953,051
Telephone Equipment	98,025	116,783
Kitchen Equipment	4,316,101	5,243,466
Electrical Equipment	39,830,731	47,675,809
Linen and Furnishing	12,906,989	6,936,924
Cutlery and Crockery	1,239,987	1,763,591
Other Equipment	1,311,281	1,957,980
Air Conditioners	4,798,051	5,802,500
Motor Vehicles	21,954,269	8,322,792
	1,331,847,236	967,074,126
Assets on Finance Leases		
Motor Vehicles	26,343,713	1,575,862
Total Carrying Amount of Property, Plant and Equipment	1,358,190,948	968,649,988

10.4 During the financial year, the Group acquired property, plant and equipment to the aggregate value of Rs. 466,106,069/- (2016 - Rs. 25,488,293/-). Cash payments amounting to Rs. 466,106,069/- (2016 - Rs. 25,488,293/-) 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.1,590,086/- (2016-Rs.1,558,908/-) and Rs.631,615/- (2016 - Rs. 219,615/-) per annum respectively.

10.6 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/- (2016 - Rs.412,000/-) per annum.

Notes to the Financial Statements Contd.

11. INVESTMENT IN SUBSIDIARY - COMPANY

			Cost	
	2017 %	2016 %	2017 Rs.	2016 Rs.
11.1 Non-Quoted Investments				
La Forteresse (Private) Limited	100%	100%	1,000,009,990	1,000,009,990
			1,000,009,990	1,000,009,990

Other indirect holdings in other subsidiaries are listed in note 2.2.2.1 to the financial statements.

12. INTANGIBLE ASSETS - GROUP

	Balance As at 01.04.2016 Rs.	Additions Rs.	Disposals Rs.	Balance As at 31.03.2017 Rs.
12.1 Cost				
Computer Software	9,773,969	924,922	-	10,698,891
	9,773,969	924,922	-	10,698,891
12.2 Amortisation				
Computer Software	6,147,818	2,053,050	-	8,200,869
	6,147,818	2,053,050	-	8,200,869
12.3 Net Book Values			2017 Rs.	2016 Rs.
Computer Software			2,498,022	3,626,151

12.4 Computer Software are amortized over 05 years

13. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES**13.1 Interest Bearing Loans and Borrowings**

	Group		Company	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Current Interest Bearing Loans and Borrowings				
Bank Overdraft (Note 17)	7,240,061	3,970,619	-	48,245
Obligation Under the Financial Lease (Note 13.2)	4,058,231	2,476,858	-	-
Total Current Interest Bearing Loans and Borrowings	11,298,292	6,447,477	-	48,245
Non Current Interest Bearing Loans and Borrowings	-	-	-	-
Obligation Under the Financial Lease (Note 13.2)	22,010,309	-	-	-
Total Non Current Interest Bearing Loans and Borrowings	22,010,309	-	-	-

	Balance As at 01.04.2016 Rs.	New Leases Obtained Rs.	Repayments Rs.	Balance As at 31.03.2017 Rs.
13.2 Finance Leases				
Pan Asia Banking Corporation PLC	2,579,627	-	(2,579,627)	-
Bank of Ceylon	-	35,676,120	(1,189,219)	34,486,901
Gross Liability	2,579,627	35,676,120	(3,768,846)	34,486,901
Finance Charges allocated to Future periods	(102,767)	(8,678,507)	362,913	(8,418,361)
Net Liability	2,476,860	26,997,613	(3,405,933)	26,068,540

	2017 Rs.	2016 Rs.
Current	4,058,231	2,476,860
Non Current	22,010,309	-
Total	26,068,540	2,476,860

* Note 21.4 provides the details of the above finance leases.

13.3 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.

Notes to the Financial Statements Contd.

14. INVENTORIES - GROUP

	2017 Rs.	2016 Rs.
Food and Beverages	7,218,461	7,849,250
House Keeping and Maintenance	11,756,374	8,262,865
Others	4,408,711	2,865,898
	23,383,546	18,978,014

15. TRADE AND OTHER RECEIVABLES - GROUP

	Group		Company	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Trade Receivables	34,132,064	36,697,388	-	-
Other Receivables - Related Parties (Note 15.1)	-	-	104,428,904	110,254,895
- Other	510,225	671,895	-	-
	34,642,289	37,369,283	104,428,904	110,254,895

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

	Total	Neither past due or nor Impaired	< 30 days	Past due but not impaired			
	Rs.	Rs.	Rs.	31 - 60 days	61 - 90 days	91 - 120 days	> 120 days
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
2017	34,642,289	31,708,668	2,729,625	7,525	196,471	-	-
2016	37,369,283	30,313,223	6,818,479	237,581	-	-	-

Impairment of Debtors

- No any impairment provision has been accounted for Trade Receivables.
- Refer Note 24 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	2017 Rs.	2016 Rs.
La Forteresse (Private) Limited	Subsidiary Company	104,428,904	110,254,895

16. SHORT TERM DEPOSITS - GROUP

	2017 Rs.	2016 Rs.
Investments in Fixed Deposits	318,760,703	475,768,630

17. CASH AND CASH EQUIVALENTS IN THE CASH FLOW STATEMENT

	Group		Company	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Components of Cash and Cash Equivalents				
Favorable Cash and Cash Equivalent Balances				
Cash and Bank Balances	6,722,080	18,967,060	468,611	16,763
Short term deposits with 3 months or before maturity	15,000,000	85,000,000	-	-
	21,722,080	103,967,060	468,611	16,763
Unfavorable Cash and Cash Equivalent Balances				
Bank Overdraft	(7,240,061)	(3,970,619)	-	(48,245)
Total Cash and Cash Equivalents for the Purpose of Cash Flow Statement	14,482,019	99,996,441	468,611	(31,483)

18. STATED CAPITAL - COMPANY/ GROUP

	2017		2016	
	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

Notes to the Financial Statements Contd.

19. RETIREMENT BENEFIT OBLIGATION - GROUP

	2017 Rs.	2016 Rs.
Defined Benefit Obligation - Gratuity		
Defined benefit obligation at 1 April 2016	10,404,171	8,833,085
Current Service Cost	936,375	2,233,094
Interest Cost	1,860,472	794,978
Actuarial Loss	1,184,459	381,183
Benefits paid	(2,053,602)	(1,838,169)
Defined benefit obligation at 31 March 2017	12,331,875	10,404,171
The expenses are recognised in the following line items in the statement of profit and loss.		
Cost of Sales	631,859	686,409
Administrative Expenses	2,164,988	2,341,663
Other Comprehensive Income	1,184,459	381,183
	3,981,306	3,409,255

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

19.2 The principle assumptions used were as follows,

	2017	2016
Discount Rate	12%	9%
Future Salary Increment Rate	8%	7%

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.
2017				
Change in Present value of Defined Benefit Obligation	811,857	(573,277)	(500,267)	741,454
2016				
Change in Present value of Defined Benefit Obligation	693,195	(605,978)	(559,596)	649,740

19.4 The average duration of the defined benefit plan obligation at the end of the reporting period is 9 years (2016 - 9 Years).

20. TRADE AND OTHER PAYABLES

	Group		Company	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Trade Creditors	28,573,142	22,137,081	-	-
- Other	53,549,153	56,501,897	43,200	43,200
Accrued Expenses	4,220,238	3,500,949	710,894	210,000
	86,342,533	82,139,928	754,094	253,200

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

21. COMMITMENTS AND CONTINGENCIES**21.1 Capital Expenditure Commitments**

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

21.2 Contingent Liabilities

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

21.3 Operating lease commitments - Group as lessee

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

	2017 Rs.	2016 Rs.
Within one year	2,212,485	2,212,485
After one year but not more than five years	11,062,422	11,062,422
More than five years	40,010,731	42,223,215
	53,285,637	55,498,122

Notes to the Financial Statements Contd.

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:

	2017		2016	
	Minimum payments Rs.	Present value of payments (Note 13) Rs.	Minimum payments Rs.	Present value of payments (Note 13) Rs.
Within one year	7,135,224	4,058,231	2,579,625	2,476,858
After one year but not more than five years	27,351,677	22,010,309	-	-
Total minimum lease payments	34,486,901	26,068,540	2,579,625	2,476,858
Less amounts representing finance charges	(8,418,361)	-	(102,767)	-
Present value of minimum lease payments	26,068,540	26,068,540	2,476,858	2,476,858

22. RELATED PARTY DISCLOSURES

Details of significant related party disclosures are as follows:

	Subsidiary Company	
	2017 Rs.	2016 Rs.
22.1 Transactions with the Parent and Related Entities - Company		
As at 1 April	110,254,895	92,822,724
Expenses Incurred on behalf of the Company	(5,825,990)	(6,750,330)
Cash Received	-	(110,818,850)
Dividend Received	-	135,001,350
As at 31 March	104,428,904	110,254,895
Included in		
Trade and Other Receivables	104,428,904	110,254,895

Subsidiary : La Forteresse (Private) Limited

22.2 Transactions with Key Management Personnel of the Company

The key management personnel of the Company includes the Directors of the Company and Directors in subsidiary.

	2017 Rs.	2016 Rs.
22.2.1 Compensation to Key Management Personnel		
Nature of transaction		
Short Term Employment Benefits	14,640,000	13,440,000

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.

Related Party	Nature	Terms	2017 Rs.	2016 Rs.
LB Finance PLC	Investment in Fixed Deposits	Market Terms	100,000,000	85,000,000
	Interest Income	Market Terms	5,739,726	16,144,140
Vallible Finance PLC	Investment in Fixed Deposits	Market Terms	225,000,000	465,000,000
	Interest Income	Market Terms	44,645,607	25,528,731
Pan Asia Banking Corporation PLC	Lease Rental Paid		(2,579,625)	(9,820,774)
Lease Payables as at 31 March			-	2,579,625

Alila Hotels and Resorts (Pvt) Ltd

The Group has purchased equity shares of Alila Hotels and Resorts (Pvt) Ltd for a consideration of Rs. 364,000,000/- on 20 December 2016 (Note 2.2.2.1.1).

Alila Hotels and Resorts (Pvt) Ltd has purchased land (extent of 3A 1R 12P) from LB Finance PLC for a consideration of Rs. 359,631,000/-. The Group has obtained three valuations from independent valuers to assess the market value of the land prior to the purchase of the said land.

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.

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

Notes to the Financial Statements Contd.

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 2017 and 2016.

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.

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
2017		
Interest Bearing Loans and Borrowings	+/- 50	+/- 20,238
2016		
Interest Bearing Loans and Borrowings	+/- 50	+/- 56,280

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
2017	+/- 5%	+/- 387,838	+/- 341,297
2016	+/- 5%	+/- 27,799	+/- 24,463

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 2017, the Group had 9 customers (2016: 7 customers) that owed the Group more than Rs 1 Million each and accounted for approximately 45% (2016: 67%) of all receivables owing.

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 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.

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. 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.

Notes to the Financial Statements Contd.

Year ended 31 March 2017	On demand Rs.	Less than 3 months Rs.	3 to 12 months Rs.	1 to 5 years Rs.	Total Rs.
Bank Overdraft	7,240,061	-	-	-	7,240,061
Finance Leases	-	1,783,806	5,351,418	27,351,692	34,486,916
Trade and other payables	-	86,342,533	-	-	86,342,533
	7,240,061	88,126,339	5,351,418	27,351,692	128,069,510

Year ended 31 March 2016	On demand Rs.	Less than 3 months Rs.	3 to 12 months Rs.	1 to 5 years Rs.	Total Rs.
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Year ended 31 March 2016					
Bank Overdraft	3,970,619	-	-	-	3,970,619
Finance Leases	-	1,658,347	818,511	-	2,476,858
Trade and other payables	-	82,139,928	-	-	82,139,928
	3,970,619	83,798,275	818,511	-	88,587,405

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 2017 and 2016.

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.

	2017 Rs.	2016 Rs.
Interest-bearing loans and borrowings (Note 13)	33,308,601	6,447,477
Trade and other payables (Note 20)	86,342,533	82,139,928
Less: cash and short-term deposits (Note 16/17)	(340,482,783)	(579,735,690)
Net debt	(220,831,649)	(491,148,285)
Equity	1,614,521,620	1,480,699,404
Total capital	1,614,521,620	1,480,699,404
Capital and net debt	1,494,870,486	1,392,111,999
Gearing ratio	8%	6%

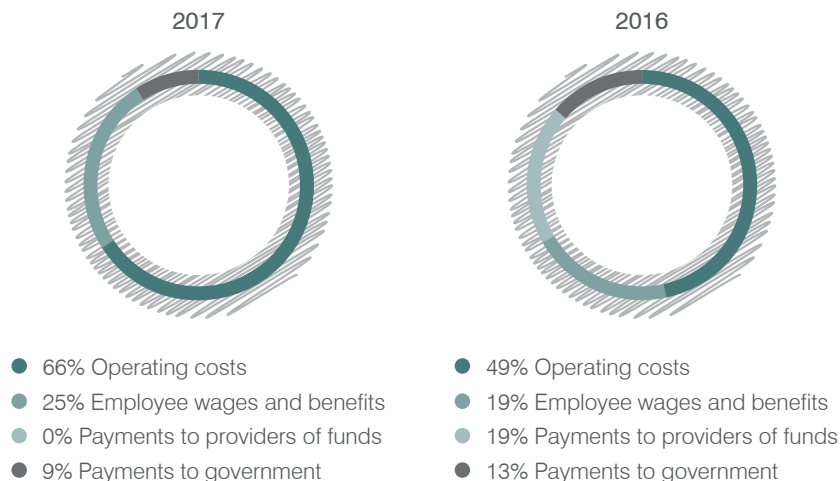
Ten Year Summary - Group

(Figures in Rs. 000 unless otherwise stated)

Year Ended 31 st March	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
TRADING RESULTS										
Turnover (Gross)	222,828	251,756	284,236	416,345	464,306	577,724	650,526	686,977	672,479	625,422
Profit / (Loss) from operations	16,251	54,293	118,284	248,009	242,303	321,759	350,498	342,861	353,584	266,280
Depreciation and Amortisation	88,415	90,424	98,972	86,950	105,493	107,601	104,259	106,006	106,006	102,924
Interest	110,246	101,859	94,826	75,027	49,521	52,445	39,244	2,795	1,126	405
Profit / (Loss) before Tax	(182,410)	(137,990)	(75,514)	86,032	87,289	161,713	206,995	234,060	246,452	162,951
STATED CAPITAL & RESERVES										
Stated Capital	1,108,867	1,108,867	1,108,867	1,108,867	1,108,867	1,108,867	1,108,867	1,108,867	1,108,867	1,108,867
Revenue Reserves	(475,653)	(621,510)	(688,407)	(604,009)	(224,420)	(70,785)	105,893	295,300	371,832	505,655
Other Reserves	4,457	136,382	124,373	124,373	-	-	-	-	-	-
Shareholders' Funds / Net Assets	637,670	623,739	544,833	629,231	884,447	1,038,082	1,214,760	1,404,167	1,480,699	1,614,522
Long Term Loans / Deferred Liabilities	9,626	655,870	651,453	492,963	397,513	324,000	45,000	-	-	33,298
Capital Employed	647,296	1,279,609	1,196,286	1,122,194	1,281,960	1,362,082	1,259,760	1,404,167	1,480,699	1,647,820
ASSETS EMPLOYED										
Current Assets	121,430	128,535	123,225	86,247	148,523	304,569	287,758	487,051	666,594	431,189
Current Liabilities	674,881	86,886	70,501	60,781	120,826	126,420	137,295	88,955	110,753	107,756
Working Capital	(553,451)	41,649	52,724	25,466	27,717	178,149	150,463	398,096	555,841	323,433
Fixed Assets	1,203,273	1,240,932	1,146,187	1,100,504	1,241,359	1,186,146	1,109,437	1,047,266	972,276	1,360,689
Capital Employed	649,822	1,282,581	1,198,911	1,125,970	1,269,076	1,364,295	1,259,900	1,445,362	1,528,117	1,684,122
RATIO & STATISTICS										
Gearing (%)	1	51	54	44	31	24	4	-	-	2
Current Ratio (times)	0.18	1.48	1.75	1.42	1.23	2.41	2.10	5.48	6.02	4.00
Earnings Per Share (Rs.)	(1.65)	(1.25)	(0.71)	0.76	0.76	1.39	1.59	1.71	1.69	1.22
Net Assets Per Share (Rs.)	5.75	5.63	4.91	5.67	7.98	9.36	10.95	12.66	13.35	14.56
Return On Capital Employed (ROCE) (%)	(28)	(11)	(7)	8	7	10	14	16	16	10
Return On Equity (%)	(29)	(22)	(14)	14	10	15	15	13	13	10
Debt to Total Assets (%)	52	48	51	42	29	22	3	-	-	2
Interest Cover (times)	(1.7)	(0.35)	0.20	2.15	2.76	4.08	6.27	85	220	402
Earnings Before Interest & Tax (EBIT)	(72,081)	(36,131)	19,312	161,059	136,810	214,158	246,239	236,855	247,578	163,356
Asset Turnover (%)	19	20	25	38	40	52	59	66	69	46

Group Value Added Statement

	2017 Rs. 000'	2016 Rs. 000'
Direct economic value generated		
Revenue (including other income)	658,927	703,366
Finance income	52,096	41,981
Proceeds from sale of Property , Plant & Equipment	6,335	1,204
	717,358	746,551
Economic Value distributed		
Operating costs	380,909	284,190
Employee wages and benefits	142,194	113,053
Payments to providers of funds	405	112,012
Payments to government	54,266	74,060
	577,774	583,315
Economic value retained	139,584	163,236



Shareholder Information

20 Major Shareholders of the Company

As at	31st March 2017		31st March 2016	
	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	19,977,345	18.016
4 Mr Dhammika 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 Pan Asia Banking Corporation PLC / Almar International (Pvt) Ltd	1,249,600	1.127	1,249,600	1.127
10 Freudenberg Shipping Agencies Limited	1,047,658	0.945	1,047,658	0.945
11 Mrs N U D Ariyaratna	843,483	0.761	843,483	0.761
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	493,660	0.445	560,006	0.505
16 Dee Investments (Pvt) Ltd	394,375	0.356	394,375	0.356
17 Motor Service Station (Private) Ltd	340,932	0.307	301,320	0.272
18 Royal Ceramics Lanka PLC	336,100	0.303	336,100	0.303
19 Anverally And Sons (Pvt) Ltd A/C No 1	323,884	0.292	242,386	0.219
20 Acuity Partners (Pvt) Limited / Mr. Arumapurage Peter Lasantha Fenando	297,760	0.269	-	-
	99,963,123	90.151	99,610,599	89.831
Others	10,923,561	9.849	11,276,085	10.169
Total	110,886,684	100.00	110,886,684	100.00

Share Distribution

Shareholding as at 31st March 2017

From To	No of Holders	No of Shares	%
1 1,000	1,260	471,740	0.43
1,001 10,000	635	2,311,594	2.08
10,001 100,000	165	5,141,873	4.63
100,001 1,000,000	26	8,245,214	7.44
Over 1,000,000	10	94,716,263	85.42
	2,096	110,886,684	100.00

Categories of Shareholders

Local Individuals	1,937	23,624,587	21.31
Local Institutions	136	87,038,626	78.49
Foreign Individuals	23	223,471	0.20
Foreign Institutions	-	-	-
	2,096	110,886,684	100.00

Shareholder Information Contd.

Directors' & CEO's Shareholding as at 31st March 2017

	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. Jan P Van Twest	Nil	-
Mr. C V Cabraal	Nil	-
Mr. H Somasantha (Alternate Director to Mr. L T Samarawickrama)	Nil	-
Ms. A.A.K.Amarasinghe (Alternate Director to Mr. Dhammika Perera)	NIL	-
Mr. P B Perera - Resigned w.e.f 08.03.2017	500	0.000%
Mr. W D N H Perera - Ceased w.e.f. 08.03.2017 (Alternate Director to Mr. P B Perera)	89	0.000%

Share Prices for the Year

	As at 31/03/2017	As at 31/03/2016
Market price per share		
Highest during the year	Rs.17.20 (19-05-2016)	Rs.19.00 (25-05-2015)
Lowest during the year	Rs.11.50 (22-02-2017)	Rs.12.00 (08-03-2016)
	Rs.11.50 (06-04-2016)	-
As at end of the year	Rs.11.60	Rs.13.00

Public Holding

The Public Holding percentage - 18.172 %

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Thirty Third (33rd) 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 28th June 2017 at 9.30 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 subsidiaries and the Statement of Accounts for the year ended 31st March 2017 with the Report of the Auditors thereon.
2. To pass the ordinary resolution set out below to re-appoint Mr. Merrill J Fernando, who is 87 years of age, as a Director of the Company.
"IT IS HEREBY RESOLVED that Mr Merrill J Fernando who has attained the age of 87 years be and is hereby re-elected a Director of the Company and it is hereby declared that the age limit of 70 years stipulated in Section 210 of the Companies Act, No.7 of 2007 shall not apply to the said Director."
3. To re-elect Mr. L N De Silva Wijeyeratne who retires by rotation pursuant to the provisions of Article 84 of the Articles of Association of the Company, as a Director.
4. To re-elect Mr. S Senaratne who retires by rotation pursuant to the provisions of Article 84 of the Articles of Association of the Company, as a Director.
5. To re-elect Mr. C V Cabraal who retires by rotation pursuant to the provisions of Article 84 of the Articles of Association of the Company, as a 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 authorize the Directors to determine donations for the year ending 31st March 2018 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
16th May 2017

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 9.30 a.m. on 26th June 2017.

Corporate Information

Name of Company

The Fortress Resorts PLC

Company Registration No

PQ 207

Legal Form

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

Registered Office

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

Board of Directors

Mr. Dhammika Perera (Chairman)
(Alternate Director - Ms. A. A. K. Aramasinghe)
Mr. J. A. S. S. Adhihetty (Managing Director)
Mr. C. J. Wickramasinhe
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 (*Resigned w.e.f. 08.03.2017*)
(Alternate Director - Mr. W. D. N. H. Perera -
(*Resigned w.e.f. 08.03.2017*))
Mr. Jan P. Van Twest
Mr. Chatura V. Cabraal

Subsidiary Companies

La Forteresse (Private) Limited
Alila Hotels and Resorts (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

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 Adihetty	or failing him*
Mr. W A C J Wickramasinha	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. Jan P Van Twest	or failing him*
Mr. Chatura V Cabraal	

as *my/our proxy to represent and speak and vote for me/us* and on my/our* behalf at the Annual General Meeting of the Company to be held on 28th June 2017 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 2017 with the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2) To re-appoint Mr. Merrill J Fernando who is 87 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"/>
3) To re-elect Mr. L N De Silva Wijeyeratne, 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. S Senaratne, 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 re-elect Mr. C V Cabraal, who retires in terms of Article 84 of the Articles of Association as a Director of the Company.	<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 2018 and up to the date of the next Annual General Meeting.	<input type="checkbox"/>	<input type="checkbox"/>

In witness my/our* hands thisday ofTwo Thousand and Seventeen.

.....
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 9.30 a.m. on 26th June 2017.
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.



THE FORTRESS RESORT & SPA

SRI LANKA

www.thefortress.lk