THE FORTRESS RESORT & SPA

SRI LANKA

Enter an idyllic paradise

Annual Report 2017/18

Contents

Enter an idyllic paradise

…. where enduring warmth, languorous luxury and personalised service are the order of each day at the Fortress Resort and Spa. In the past year, we have stridently overcome challenges faced by the tourism industry as a whole and focused solely on upgrading the hotel. Our workforce has grown from strength to strength and boasts of staff that are as diverse as they are dedicated. The range of amenities and facilities we have to offer has been increased in the year under review while we have raised the bar for luxury with service standards that have been fastidiously improved upon. All this has been carried out in the name of expansion, for a stronger future. The hotel remains a priceless treasure in Galle and is an idyllic paradise for those desiring the quintessential tropical holiday experience. An ode to luxurious tranquility, The Fortress Resort and Spa continues to outperform, enrich and expand. Every guest of ours is ensured a travel experience that is spellbinding, memorable and the epitome of comfort and luxury; unlike anything they have ever experienced before.

THE FORTRESS RESORT & SPA

SRI LANKA

Awards and Recognition

A global collection approved by local experts for luxury Hotels, Spas and venues for 2018.

A Good Manufacturing practices.

GMP Certification by Sri Lanka. Standard Institution.

Luxury Travel Guide (LTG)

Luxury Hotel and Spa of the Year 2017.

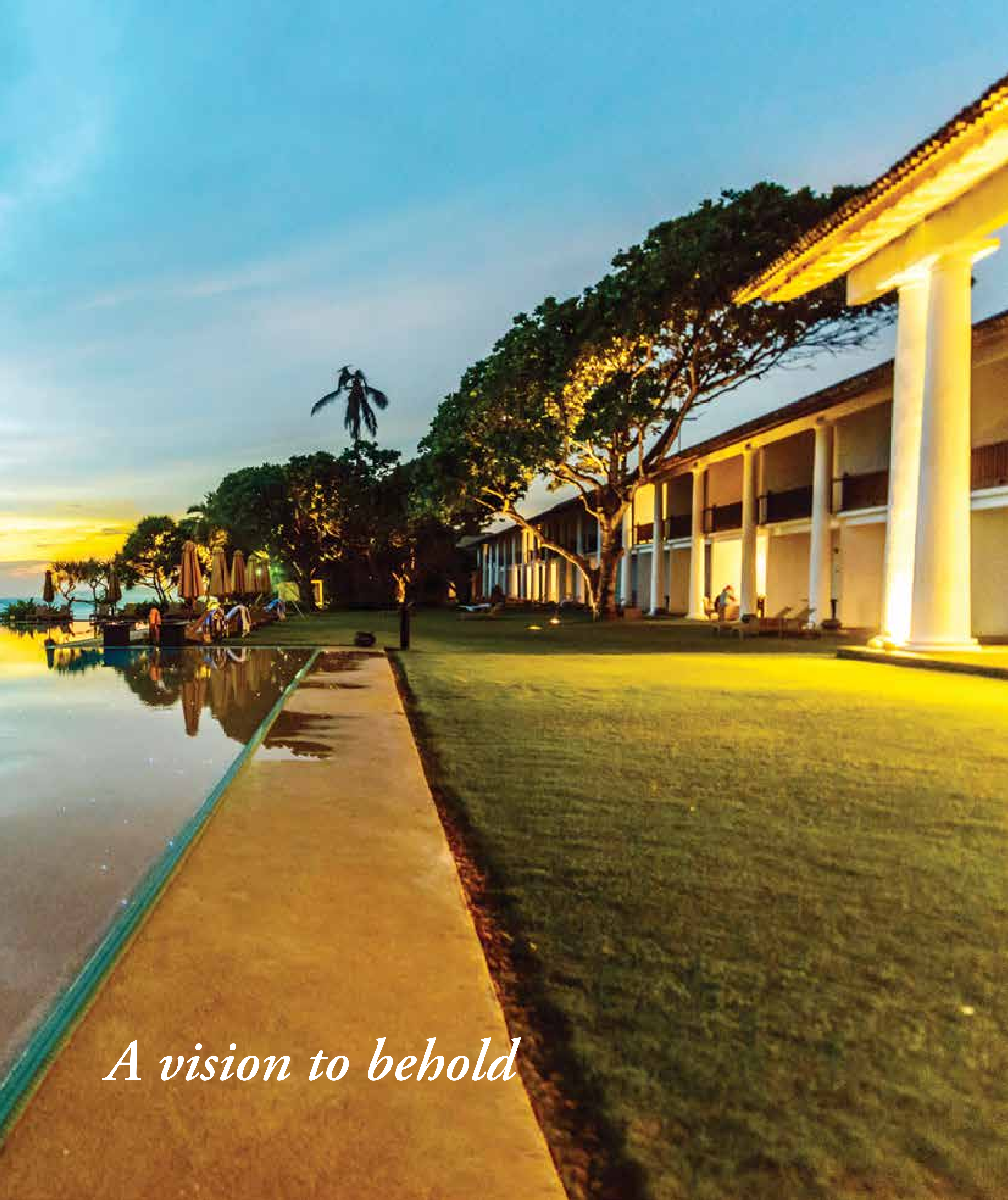
Certificate of Excellent Winner 2017.

Travellers' Choice Award Winner of Top 25 Hotels in Sri Lanka- 2018.

Travellers' Choice Award Winner of Top 25 Hotels for Romance-Sri Lanka-2018.

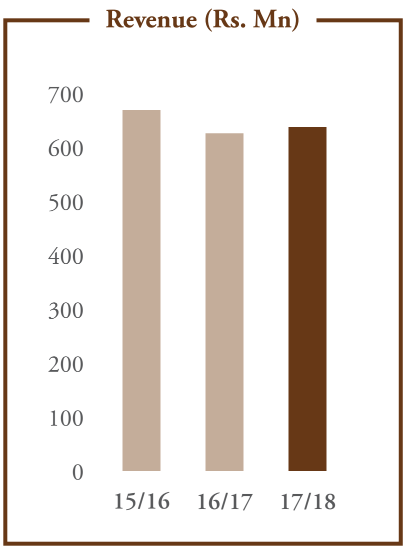
Travellers' Choice Award Winner of Top 25 Hotels for Service - 2018.

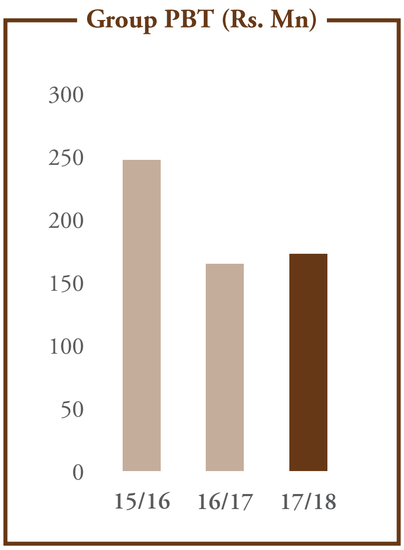
Evaluated as "Leading Spa Selection" 2018.


A vision to behold

Financial Highlights

Year Ended 31st March		2018	2017	2016
Earnings Highlights and Ratios				
Revenue	Rs'000	638,706	625,422	672,479
Earnings before interest and tax (EBIT)	Rs'000	176,137	163,356	247,578
Group profit before tax (PBT)	Rs'000	173,012	162,951	246,452
Group profit after tax (PAT)	Rs'000	140,799	134,864	187,754
Group profit attributable to the shareholders	Rs'000	140,556	133,822	187,419
Earnings per share (EPS)	Rs.	1.27	1.22	1.7
EPS growth	%	4%	0%	-1%
Interest cover	No of times	56	403	220
Return on Equity	%	8%	8%	13%
Pre-tax ROCE	%	10%	10%	17%
Balance Sheet Highlights and Ratios				
Total assets	Rs'000	1,958,645	1,791,878	1,638,870
Total debt	Rs'000	22,010	33,298	6,447
Total shareholders' funds	Rs'000	1,755,079	1,614,522	1,480,699
No. of shares in issue	Nos	110,886,684	110,886,684	110,886,684
Net assets per share	Rs.	15.83	14.56	13.35
Debt/Equity	%	1.25%	2.06%	-
Debt/Total assets	%	1.12%	1.86%	-
Market / Shareholder Information				
Market price of share as at 31st March	Rs.	10.50	11.60	13.00
Market capitalisation	Rs'000	1,164,310	1,286,286	1,441,527
Price earnings ratio	No of times	8.27	9.54	7.69
Operational Information				
Average occupancy	%	60%	65%	67%
No. of room nights sold	Room nights	11,641	12,519	12,904
Room revenue	Rs'000	399,761	386,138	433,652
Avearge room rate (ARR)	Rs.	34,341	30,844	33,606
Revenue per occupied room	Rs.	57,927	52,634	56,617
Net profit per room	Rs'000	2,652	2,525	3,536



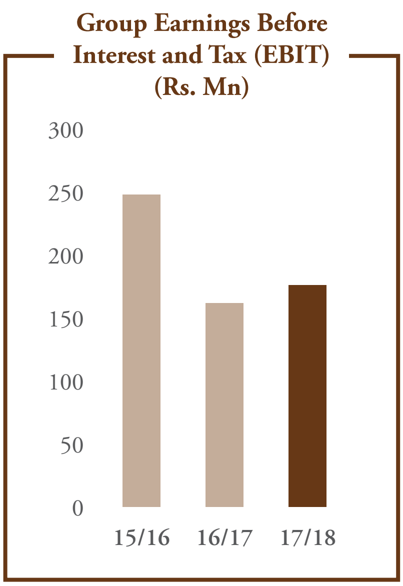


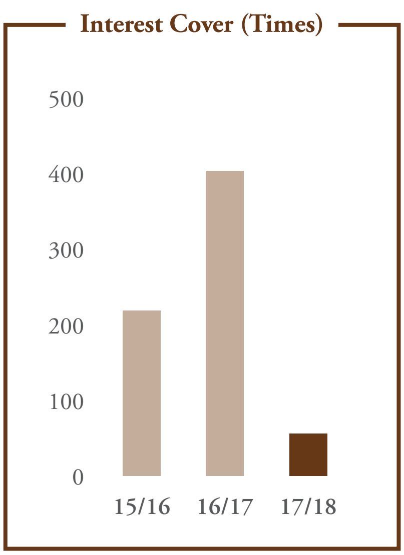
Rs.639Mn

Revenue

Rs.173Mn

PBT





Rs.176Mn

EBIT

56Times

Interest Cover

Inviting views of the pristine sea

Chairman's Review

In the context of the operations of the TFR, we note that most of nations that account for the largest numbers of tourists to Sri Lanka and those nations which account for the highest grown in arrivals over the past year

K.D.D. Perera
Chairman

Introduction

It is once again our pleasure to present our esteemed shareholders with the Annual Report and Statement of Accounts of The Fortress Resorts PLC (TFR) for the year ended 31st March 2018. In keeping with our organisation's steadfast commitment towards values of transparency, accountability and good governance, this year's Annual Report has been to deliver a precise and in-depth analysis into the total spectrum of operations of TFR. In doing so we hope to promote open and continuous dialogue between all of the Company's stakeholders in relation to the operational and financial highlights of the year, and the Company's immense potential for growth and profitability, moving forward.

Our decade of operation, TFR has continuously augmented its value proposition in order to provide our valued guests with unprecedented luxury that seamlessly connects with the unique tropical charm of the picturesque Koggala coastline. This was done to deliver pristine holiday experiences that showcase the very best that Southern Sri Lanka's sunny Southern beaches have to offer. During the year under review, our island's sunny shores have continued to rise in prominence and popularity among international travellers of every variety from budget conscious, young back-packers to high-net worth individuals seeking exclusive, refined and completely unique travel experiences.

Rs. 1,958Mn

Total Assets

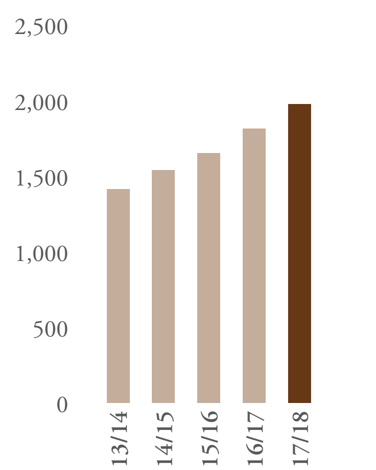
Rs. 1,755Mn

Share Holder Funds

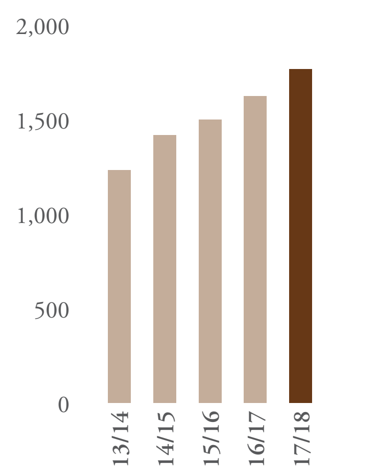
Rs. 15.83

Net Asset Value Per Share

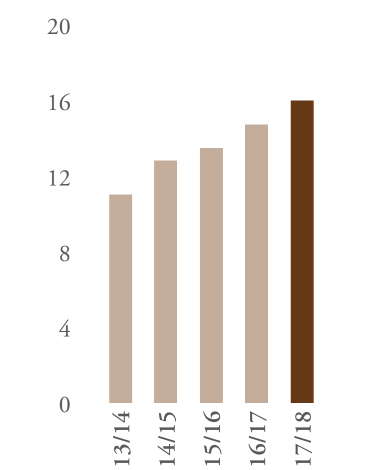
Total Assets (Rs. Mn)



Share Holder Funds (Rs. Mn)



Net Assets Value per Share (Rs.)



The rising status of Sri Lanka as a must-visit destination in South Asia brings with it a host of new challenges as a rapidly mushrooming informal hospitality sector. At present the sector comprises of a full spectrum of basic home-stays and more exclusive, unrated boutique properties competing intensely for occupancy with the established formal sector. This trend is particularly notable among coastal tourist hotspots, like Koggala, that have witnessed a tremendous influx of room capacity over the recent past. Coupled with international and domestic macroeconomic trends that have negatively impacted tourist spending power across the island, the local tourism industry continues to grapple with what are in essence, the challenges of growing success. Having clearly established the value of our island as being amongst the foremost potential tourist destinations in the region, industry stakeholders are now increasingly focused on managing growth in a manner that is sustainable in terms of total operating and carrying capacity.

It is in this context that we note TFR continued ability to demonstrate strong performance, both operationally and financially, maintaining strong occupancy rates and high rates of traffic through the Hotel's diverse and increasingly popular Food and Beverage options. All of the aforesaid have without fail serve to raise the benchmark in terms of hospitality and culinary standards in the Koggala region. This winning legacy was extended even further during the year under review, as TFR won comprehensive international recognition for our ability to consistently deliver unforgettable holiday experiences, infused with a seamless blend of local and international flavour, we brought home a total of 8 global awards and certifications that served to highlight the superior service, and breathtaking setting and ambience for which our Hotel has become internationally renowned and sought-after for.

These awards are emblematic of the truly unique allure of our property, that has been designed to infuse the charm of Sri Lanka and the scenic and tranquil beaches of the Koggala coast into every facet of the property. While there were some minor disruptions to operations as a result of a 40-day suspension of operations in order to expedite renovations on the hotel lobby, our shareholders will be pleased to learn that even with this minor inconvenience, TFR was able to operate throughout the financial year with only a marginal reduction in occupancy rates. The management also took the opportunity to make further prudent

While conditions in some advanced economies, particularly in Europe, are still of some concern, overall, expert forecasts have trended upwards over the past year.

investments to enhance facilities, infrastructure and our guest experience. These investments rose to Rs.89.6 million during the year under review, and are a crucial contributor to the continuing success of TFR. By continuously upgrading all facets of the Hotel and spa, we are able to ensure that the property's pristine condition and mesmerising tropical charm is preserved and refined at all times. Together with consistent investments made to enhance our service standards, the Management has ensured the Hotel's remain the pinnacle of Sri Lankan luxury hospitality for decades to come.

By intelligently and sustainably utilising every unique quality of TFR, we have been able to ensure that our Hotel remains a sought after institution in the Koggala region. Our extensive F&B offerings have risen to the status of regional institutions, drawing in a large volume of local and international visitors to sample a wide variety of dishes prepared to international-standards. While the local industry continues to grapple with challenges related to increasing demand and stretched room and service capacity, we believe that the proactive management strategies adopted by TFR will serve as a blueprint for successful, sustainable, high-end luxury tourism in Sri Lanka, moving forward.

Global Volatility

Political and socioeconomic volatility were among the most pressing factors driving international economic developments over the past year, in developed and emerging economies alike across the globe. The global economy recorded marginal improvements in 2017, as GDP increased marginally to 3.8, buoyed to a substantial degree by the continuing escalation in momentum being witnessed across emerging and developing economies within which GDP expanded from 4.4% up to 4.9% during the year in review where advanced economies stood at 2.5% by comparison.

While conditions in some advanced economies, particularly in Europe, are still of some concern, overall, expert forecasts have trended upwards over the past year. Notably, there were several powerful global economies – including Germany, Japan, Brazil, China, South Africa, Korea and the United States – that were able to post growth results that were above previously anticipated rates, signalling improving confidence in economic fundamentals despite unprecedented and highly visible socio-political volatility in many of these nations, and across the European Union region.

An improving global growth outlook, weather events in the United States, the extension of the OPEC+ agreement to limit oil production, and geopolitical tensions in the Middle East have supported rising crude oil prices which expanded by 20% in 2017 to above US$ 60 per barrel, this in turn, resulted in an uptick in overall commodity prices across the globe. Among emerging market economies too, headline and core inflation have increased slightly in recent months after declining earlier in 2017.

Unprecedented policy uncertainty prevailed across the US and Europe during the past year as multiple a newly aggressive nationalistic rhetoric emerged as the dominant economic ideology upon which global trade and diplomacy was negotiated upon. Despite such uncertainty, the American GDP expanded from 2.3% to 2.9% during the past year. This was largely credited to revised taxation policies and a reduction in social services spending and positive investment response to the corporate income tax cuts. The effect on U.S. growth is estimated to be positive through 2020, cumulating to 1.2% throughout that year, with a range of uncertainty around this central scenario. Due to the temporary nature of some of its provisions, the tax policy package is projected to lower growth for a few years from 2022 onwards.

Financial conditions across Europe have also remained supportive of the ongoing upswing in economic activity, particularly across key economies in the European Union like Germany, France and the Scandinavian regions. These improvements were partially the result of the moderate upswing in commodity prices, which resulted in positive improvements to commodity exporting economies, albeit at a level still lower than prior to 2008. However, despite the looming implications of the on-going exit of the United Kingdom from the EU, the region's GDP nevertheless expanded by 0.6% Year-on-Year up to 2.6% by the end of 2017 – the best it has performed in nearly a decade.

Meanwhile, the Asian region continues to record some of the fastest growing economic performances in modern times, with Chinese GDP growing at a rate of 6.9% by the end of 2017, as compared with a previous 6.7%. While the marginal improvement in Chinese growth was largely a result of improved commodity pricing, it was also a testament to the substantial investments being made within that economy towards expanding renewable energy generation capacity while strengthening regional and international trade ties as part of the One Belt One Road Initiative aimed at redefining China's place at the centre of the global economy in years to come.

Similarly, the Indian economy also recorded a strong performance over the last year as surging exports and strong private consumption boosted GDP to 6.7% by the end of 2017. The IMF projects on the other hand rapidly accelerated in growth over the coming year up to 7.4% by the end of 2018, helping to offset a slower pace of growth in the Chinese market, as compared with Chinese growth rates over the past decade.

Global Tourist Market

Despite the substantial socio-political volatility and notable security incidents across the globe, particularly in developed economies, the global tourism industry continued to post strong growth over the year last year turning it into a key driver of socio-economic progress with the creation of jobs and enterprise, export revenues, and infrastructure development. Over the past six decades, Tourism has continued to expand and diversify, with the brightest growth prospects coming from non-traditional tourism products and services that place a strong emphasis on sustainability, in addition to the emergence of numerous alternative destinations that have resulted in the industry uninterrupted growth over the past six decades.

In that context, the United Nations designated 2017 as the International Year of Sustainable Tourism for Development, serving to further emphasise enormous opportunity to further showcase the economic, social, cultural, environmental, and heritage value that the tourism sector can bring to economies across the globe.

International tourist arrivals have increased from 25 million globally in 1950 to 278 million in 1980, 674 million in 2000, and 1,235 million in 2016 while international tourism receipts earned by destinations worldwide have surged from US$ 2 billion in 1950 to US$ 104 billion in 1980, US$ 495 billion in 2000, and US$ 1,220 billion in 2016.

Hence, despite the ever-increasing and unpredictable shocks, from terrorist attacks and political instability, to health pandemics and natural disasters, the global travel and tourism sector continued to display remarkable resilience contributing to direct GDP growth of 3.1% and supporting 6 million net additional jobs in the sector. In total, Travel and Tourism generated US$ 7.6 trillion (10.2% of global GDP) and 292 million jobs in 2016, equivalent to 1 in 10 jobs in the global economy. The sector accounted for 6.6% of total global exports and almost 30% of total global service exports.

The outlook for the Travel and Tourism sector in 2017 remains robust and will continue to be at the forefront of wealth and employment creation in the global economy, despite the emergence of a number of challenging headwinds. Direct Travel and Tourism GDP growth is expected to accelerate to 3.8%, up from 3.1% in 2016. As nations seem to be looking increasingly inward, putting in place barriers to trade and movement of people, the role of Travel and Tourism is made even more significant, as an engine of economic development and as a vehicle for sharing cultures, creating peace, and building mutual understanding.

Over the longer term, growth of the Travel and Tourism sector will continue to be strong so long as the investment and development takes place in an open and sustainable manner. Enacting pro-growth travel policies that share benefits more equitably can foster a talent and business environment necessary to enable Travel and Tourism to realise its potential. In doing so, not only can we expect the sector to support over 380 million jobs by 2027, but it will continue to grow its economic contribution, providing the rationale for the further protection of nature, habitats, and biodiversity

Sri Lankan Economy

The domestic economy proceeded at a sluggish pace in 2017 with GDP growth tampering to a 16-year low of just 3.1%, mostly as a result of adverse weather conditions prevalent throughout the year. Given that a significant proportion of the economy is dependent on the performance of the island's agriculture sector, climate change and the prevalence of increasingly extreme weather conditions remains a key concern for the nation moving forward and it is now clear that more investments need to be channelled towards bolstering resilience in the agriculture sector through improved agronomic practices and a greater emphasis on value-addition with an export market orientation.

Despite tepid growth prospects, it is notable that unemployment rates fell to 4.2% during the year under review, which remains an indicator of positive developments within the overall economy. Rising international commodity prices combined with a weaker Sri Lankan Rupee and sluggish growth in key sectors to generate limited inflationary pressure. However, the maintenance of a tight monetary policy and slower credit helped curb inflation to 7.1% by the end of 2017, which lowered further to 4.2% by March 2018. However, these figures are expected to rise further in the coming year as commodity prices increase potentially leading to revisions in fuel and energy prices over the short-medium term.

Despite an overall weak economic performance, it is notable that Sri Lanka's external sector posted notable improvements in key areas over the course of 2017. Full year export figures hit an all-time high of US$ 11.4 billion, representing a 10% YoY improvement over the previous year, and surpassing a previous best performance of US$ 11.1 billion.

The sectors showing particularly strong year-on-year growth were tea 20% and fisheries 40%. Tea benefitted from higher prices and enhanced access to Middle Eastern markets, particularly Iran. Similarly, fisheries benefitted from both the lifting of the EU ban in June 2016 and the GSP+ concession in May 2017.

Meanwhile, worker remittances expanded by 3.2% YoY to US$ 579.5 million in January 2018 following news of an overall 1.1% YoY reduction in remittances down to US$ 7.24 billion over the course of 2017. A major reason for this decline was the continuing instability throughout the Middle-East region, which typically accounts for the vast majority of inward Sri Lankan worker remittances.

Domestic Tourism and Hospitality Sector Performance

As alluded to previously, Sri Lanka's rising prominence as an international tourist hotspot continues to auger well for the potential of the industry as whole. At the most fundamental levels of our industry, it is undeniable that our island is enjoying the beginnings of a historic upsurge in demand with tourist arrivals over the past year continuing to expand from 2.05 million arrivals in 2016, up to 2.12 million tourist arrivals at the end of the 2017 calendar year.

In that context, increased arrivals were the most direct contributor to increasing tourism-related earnings, which expanded from US$ 3.6 billion up to Rs. 4.6 billion during the year in review. Post-war Sri Lanka witnessed unprecedented growth in arrivals, supported by favourable reviews in international publications and a strong desire from international and local tourists alike to explore previously inaccessible parts of the island.

While Sri Lanka's allure as a tourist hotspot continues to reach a wider international demographic than ever before, this success brings with it a host of new challenges. Many of these challenges in relation to the limits of Sri Lanka's tourist carrying capacity and the domestic hospitality sector's ability to cater to increasing demand.

One of the most immediate responses to rising demand has been a mushrooming of new informal hospitality providers and supplementary establishments. Today, tourism is the third largest revenue earner for Sri Lanka, accounting for US $ 4.6 billion in 2017 and US $ 3.6 billion in 2016, and contributes to 14.2% of foreign exchange earnings of the country. As the industry continues to expand, there has been a rapid growth in homeowners leasing spare capacity to meet the escalating demand for tourist accommodation. Unfortunately, some have failed to register their business with the SLTDA and are therefore unregulated and escape from paying taxes.

Today, tourism is the third largest revenue earner for Sri Lanka, accounting for US $ 4.6 billion in 2017 and US $ 3.6 billion in 2016, and contributes 14.2% of foreign exchange earnings of the country.

These dynamics have created substantial bottlenecks in terms of transferring the benefit of improved tourism sector performance from the informal to formal sectors of the national economy. Lack of data is one of the most concerning aspects in relation to the development of the informal sector, hence the need for more stringent regulation is increasingly being felt and it is anticipated that policymakers will have to take steps to intervene, rationalise and consolidate regulations within the sector over the medium term in order to maintain an acceptable minimum standard of quality moving forward.

Growing competition from the informal sector is matched by a rapid escalation in capacity within the formal tourism and hospitality sector with the introduction of several international hospitality franchises together with expansions among established local players. According to the available data, experts currently estimate that as much as 50% of tourists to Sri Lanka opt for informal stays. Hence, it is not vital that the formal sector commences exploration of opportunities to attract the kind of travellers who are able and willing to spend at a higher rate to enjoy formal accommodation.

In order to deliver sustainable solutions that are capable of ensuring the benefits of Sri Lanka's burgeoning tourist sector are optimally distributed among the population while ensuring that the quality of Sri Lankan travel experiences is continuously improved in years to come, training and investment are perhaps the two most vital areas that require attention.

Another crucial factor to consider is the changing demographics of tourist arrivals to Sri Lanka, with Indian and Chinese tourists continuing to account for the majority of arrivals to the country. Arrivals from India expanded by 8% YoY to 384,628 visitors while China posted a marginal decline of 1% YoY to 268,952 visitors during the year in review. Meanwhile, arrivals from the United Kingdom rose to 201,879 visitors, reflecting a 7% YoY improvement, while German arrivals decreased by 2% YoY to 130,227 arrivals.

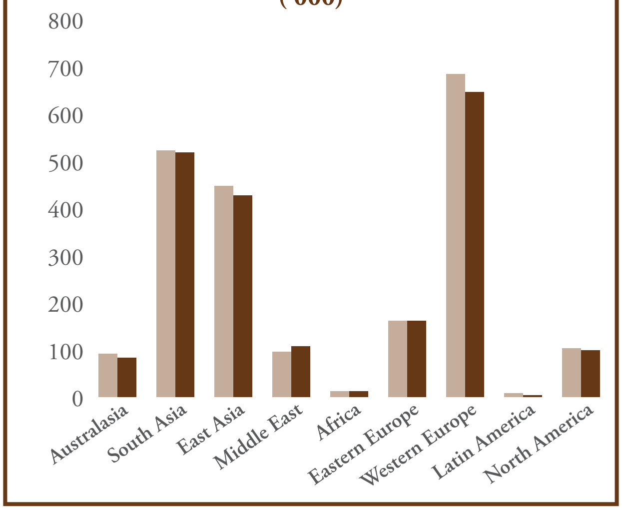
Arrivals from France and Australia remained relatively stable during the year, with arrivals from each country being recorded at 97,282 and 81,281, reflecting growth of 1% YoY and 9% YoY respectively. Other notable trends in arrivals were seen from the Maldives – which posted a 17% YoY reduction to 79,371 visitors while arrivals from the Netherlands recorded the highest levels of growth during the year, expanding by 24% YoY up to 51,148 arrivals in 2017.

In the context of the operations of TFR, we take into account that the nations that account for the largest numbers of tourists to Sri Lanka, and the nations which account for the highest growth in arrivals over the past year, are also frequent guests at TFR. This thereby, highlights the progressive alignment of our property with wider trends taking place in the Sri Lankan tourism sector.

A Prosperous Future Ahead

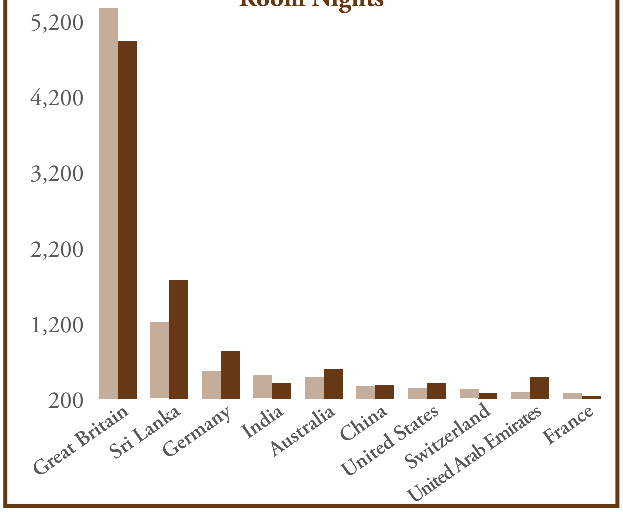
While the national economy continues to grapple with systemic challenges in a climate of limited but, nevertheless potent political uncertainty, the nation still continues to make important progress in terms of political and economic reforms that hold the potential to create a more stable investment climate. Such improvements will only serve to bolster growth prospects for the nation. Nevertheless, the domestic tourism industry continues to boom, and this growth is only likely to continue. The key challenge for all stakeholders, therefore is to ensure that such growth takes place within a clear system that is strongly regulated in order to ensure consistently positive experiences for travellers visiting the country.

Arrivals to Sri Lanka by Region ('000)



Arrivals by reigon 2017
Arrivals by reigon 2016

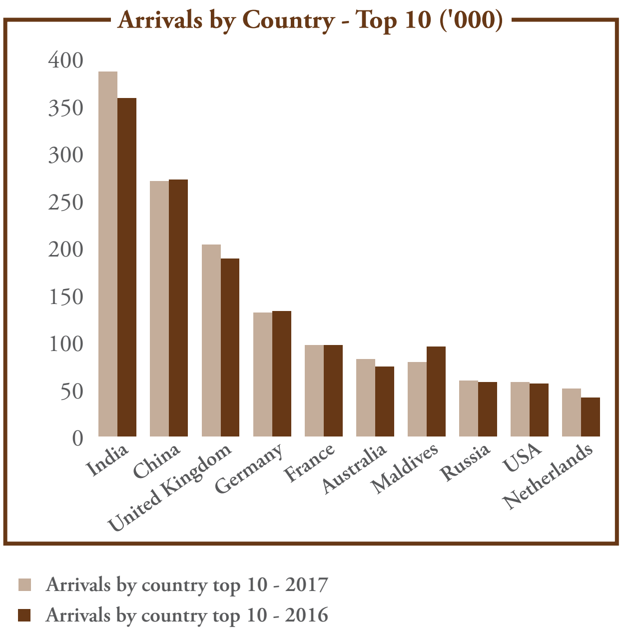
Arrivals to Fortress by Country in Room Nights



Arrivals to Fortress by country in room nights 2017/18
Arrivals to Fortress by country in room nights 2016/17

Sri Lanka, and the Koggala region, where TFR's flagship property is located, remains very internationally attractive as a holiday destination. It therefore clear that competition nationally and locally will only continue to escalate. The goal for established properties like TFR is therefore clear. We must continuously explore opportunities to enhance the unique charm and attractiveness of our property and our shareholders will be pleased to learn that TFR remains extremely proactive in identifying and acting on opportunities for upgrading our property to provide the best, most memorable travel and holiday experiences in the island. Together with the strong efforts made to promote the Hotel's diverse yet tasteful culinary offerings across our F&B portfolio, we are confident that TFR maintains a winning strategy that attracts guests for the luxurious ambience and picturesque qualities of The Fortress Resort and Spa, and retains them while attracting new guests to savour our remarkable cuisine and bask and unwind in the extensive offerings of our spa and recreational facilities.

As an organisation, we are also seeking to expand our presence to capitalise on the rapid escalation in tourist arrivals to the Mirissa region. Again, our shareholders will take great satisfaction in the outstanding progress that has been made over the year under review towards the establishment of a new property in the region.



Nearly all of the preliminary approvals required to establish this property, which is being envisioned as large 92-room hotel and resort along similar design concepts to our Koggala property that has been obtained. Construction is targeted for commencement within the next financial year.

The full completion of TFR's all necessary renovations during the period under review also means that the coming financial year can be expected to proceed without any major interruptions in occupancy, which is likely to further bolster an already impressive bottom-line.

Acknowledgements

In concluding, I wish to once again convey my sincere gratitude and deep sense of appreciation for the continuing support extended to myself by my colleagues on the Board of Directors and the unwavering commitment of the entire management and team of employees at The Fortress Resorts and Spa as part of our mission to preserve and refine the outstanding legacy of our organisation.

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. Finally, I express my sincere gratitude to our esteemed shareholders for their continuous and committed support for the bold trajectory that we have charted for ourselves for decades to come.

Dhammika Perera
Chairman

17 May 2018

Managing Director's Review

Total assets expanded by 9% YoY to Rs. 1.96 billion – capturing some of the substantial and continuous investments made by TFR during the year in review...

K.D.H. Perera
Managing Director

Dear Stakeholder,

We are pleased to report that it has been another rewarding year for The Fortress Resorts PLC (TFR) during which the company was able to leverage the notable investments that have been channelled towards improving facilities and service levels to deliver strong profits despite limited, but notable, challenges in our operating environment. TFR's ability to consistently refine our already impressive value proposition has been fundamental to the continuous success of the business. TFR has thus been enabled to further consolidate its position among the most unique and memorable holiday destinations in Sri Lanka. Particularly in an environment of rapidly escalating competition as new formal and informal hospitality providers enter the domestic market, furthering the extension of our leadership position among the country's Southern costal hospitality properties stands as a testament to the unique charm and allure of our 53-room boutique property.

Drawing upon our experiences over the past decade of TFR's operations in the picturesque Koggala region, our Hotel remains one of the most sought after holiday destinations in the country. This commanding leadership position is a direct result of a stringent commitment to crafting sincere hospitality experiences that are capable of appealing to a wide range of travellers seeking luxurious, restful, and rejuvenating holiday experiences that stay with them long after they have left our sunny coasts and leaving positive memories that compel return visits.

Operating Environment

The year under review was one filled with notable milestones for the Sri Lankan tourist industry. Today, tourism is the third largest revenue earner for Sri Lanka, accounting for US $ 4.6 billion in 2017 and US $ 3.6 billion in 2016 thus, making a valuable contribution to the national economy accounting for 14.2% of foreign exchange earnings nationally. Tourist arrivals during this time expanded by 3% YoY up to 2.12 million visitors.

While these trends are a sign of the continuously increasing popularity of Sri Lanka as a vibrant, diverse and truly unique global tourist hotspot, this popularity brings with it substantial challenges for the industry and its composite segments as gaps in room and service capacity become more evident in the face of expanding tourist arrivals. While these dynamics have continued

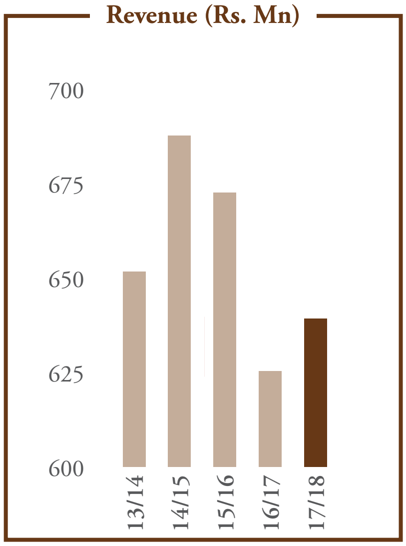
Rs.639Mn

Revenue

to support the emergence of a booming informal hospitality sector, further rapid, unplanned development in our industry holds potentially serious downside risks both for the formal sector, as well as the industry as a whole.

These trends are consistent across the country, and in the Koggala region as well. While in the past, TFR was among the very first properties to enter the region, there are currently over 100 villas in the vicinity of our property that offer moderate accommodation facilities at notably lower rates.

While the establishment of a vibrant informal hospitality sector enables diverse grassroots opportunities, it also brings with it serious challenges for established operators and perhaps more crucially, for the industry as a whole. As noted by our Chairman, one of the most pressing issues is with regard to the avoidance of tax liabilities by many of these new entrants, which has deprived the state of vital revenue that ought to have been collected and utilised to further development of the entire industry.

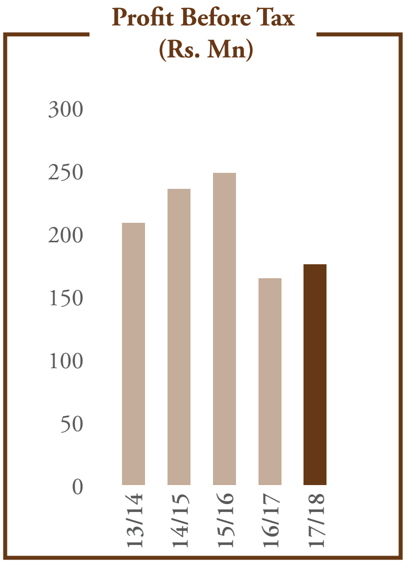


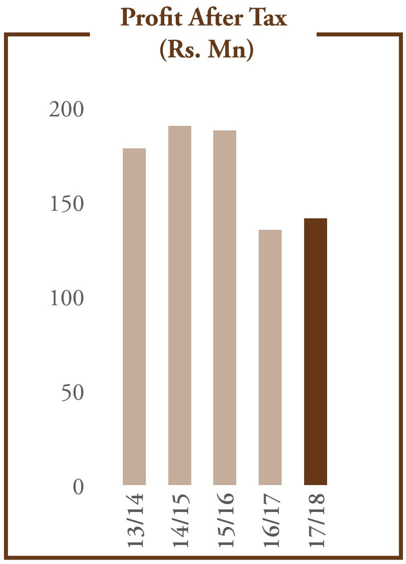
Particularly given the lack of accurate and up-to-date data relating to the scope and extent of the informal sector, many of these new entrants fail to obtain necessary licenses from the Sri Lanka Tourism Development Authority. If the State were to pursue the enforcement of key legislation on the sector, it would therefore, dislodge many of these newer establishments through the imposition of hefty fines and other penalties. A further serious issue that has emerged in the wake of the rapidly expanding informal sector is with regard to distortion in the average quality of service and standards prevalent nationally. Though there are numerous promising establishments, it is unfortunate that the actions of a few unregulated service providers are generating real risks, particularly for foreign tourists, while also creating reputational risks at the national level. Which, over time, could negatively impact the overall perception of the quality of Sri Lanka as a tourist destination.

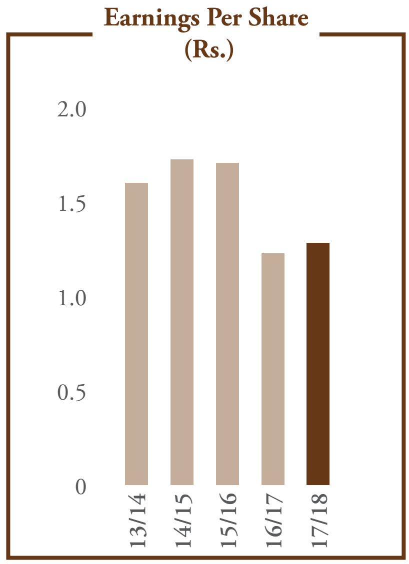
While State intervention is anticipated in this field in coming years, the industry too must take steps to ensure that a basic standards of hospitality, particularly in relation to hygiene, housekeeping, guest relations and quality standards, are maintained and enhanced through training, awareness building and strict internal commitments to help create a truly socially, culturally, and environmentally sustainable tourism industry in Sri Lanka.

The registration of these informal service providers with the SLTDA can facilitate programmes on both technical and non-technical aspects of service delivery at a nominal fee or free of charge. Furthermore, 21 codes of conduct have been formulated by SLTDA on homestay units, bungalows, apartment hotels, eco-friendly lodges, etc. which will be gazetted within the next few months. These Codes will help educate smaller service providers on the required standards and create an environment that will encourage smaller service providers to participate in the development of the industry in a responsible manner. Moreover, by regulating the informal sector, the negative impact of unplanned construction on the environment can also be assessed and controlled by providing them easy and better access to finance and land which have been issues due to its relative size and vulnerability.

The rising popularity of Online Travel Agencies (OTAs) such as Agoda, Bookings.com, Trip Advisor in addition to an expanding universe of travel blogs, guides, and reviews across various different platforms and formats, have enabled larger overall awareness of Sri Lanka as a unique tourist destination but have also supported the further expansion of the informal sector. Nevertheless, our industry is almost by definition, capable of adapting at a rapid pace in order to keep abreast of changing







industry conditions. We are confident that well-established hospitality providers who place a strong emphasis on ensuring that basic standards are met and exceeded will always have room to grow in this market.

Operational Highlights

From an operational perspective TFR has made comprehensive improvements across key aspects of the business, as evidenced by the substantial positive guest reviews, and ratings secured by the property during the financial year ended 31st March 2018.

Occupancy rates were nominally impacted by the final phase of refurbishments and were primarily focused on enhancing the Hotel lobby area. This resulted in the temporary closure of the property for a period of 40 days in June and July. Consequently, occupancy rates for the year were reduced by 5% down to 60% from the sale of 11,641 room nights during the year in review, as compared with 12,519 room nights in the previous financial year.

The majority of refurbishment investments made during the year was directed towards repair of the roof of the hotel lobby of the Hotel. While the original structure was constructed with concrete rafters, wear and tear necessitated the replacement of these rafters. Given that the lobby of the hotel is the first proper point of contact with guests, the Management correctly identified the importance of refurbishments and took decisive action to replace these concrete rafters with timber structures during the off peak period in June and July. Having secured the services of a well-reputed contractor, a total investment of Rs. 15.5 million was channelled towards the project in order to provide a longer-lasting solution that would also further enhance the ambience of the lobby area.

The impact of this temporary suspension in operations was also felt in terms of a slight reduction in the overall number of guests visiting the hotel during the financial year, with TFR posting 22,799 guest nights, down by a marginal 8% YoY when compared with the previous year's 24,872 guest nights.

Close to 50% of the total guest nights came from UK nationals during the year under review. This was a 4% increase compared to the previous year. Germany was on the 3rd place after Sri Lankans and Indians became 4th after the Germans. In the Sri Lankan segment, there was a drop of 29% compared to previous year due to the limited spending power of people due to rising inflation and other adverse economic factors. Nevertheless, domestic tourism continues to play an important role in the performance of TFR, with over 10% of the total guest nights received through Sri Lankans.

While the number of visitors from Indian, Swiss and French markets increased during the year, we also witnessed a notable of 33% YoY growth in German visitors and further marginal reductions in visitors from the UAE, China and US markets.

Cuisine

Particularly in recent years, TFR has sought to balance the luxury of our accommodation and facilities with the offering of an equally sumptuous range of cuisines capable of delighting the most refined palettes and catering to the most exotic international and local visitors alike. Today, TFR's plethora of dining options include authentic Sri Lankan dishes, in addition to dedicated restaurants and chefs specialising in Western, Indian, Chinese, cuisines. In the recent past, TFR's dining options have truly risen to new heights, attracting influx of hotel guests and visitors to the Koggala region in addition to becoming a special dining destination for honeymooning couples and domestic travellers seeking a scenic getaway and the ultimate fine dining experience.

In addition to the above the Hotel conducts theme nights on a weekly basis depending on occupancy rates. Saturday seafood night is the most popular in the area and many more outside guests from neighbouring Villas flock to the Hotel to enjoy the seafood night at the Fortress. Meanwhile, Wednesday Sri Lankan nights are allocated specially to showcase cultural performances by local artists.

Investments

A proactive investment strategy that prioritizes continuous improvement of the hotel's infrastructure, and facilities has been another vital contributor to TFR's ability to strictly maintain the highest standards of Sri Lankan luxury hospitality.

Guest Rooms

In addition to the timely refurbishment of TFR's lobby area, a further Rs. 74.1 million was invested towards on ongoing programme instituted by the Management towards the regular upgrading of the Hotel's fixed assets. As part of this programme, TFR invested Rs. 11 million towards replacing television sets in all guest rooms and upgrading them to Samsung 55' inch Smart LED TV's, in addition to the installation of new TV brackets imported from Sweden in all the guest rooms. This required a further investment of Rs. 2 million.

Meanwhile, TFR also invested an additional Rs. 1.1 million towards the upgrading of all telephones in guest rooms while bathroom commodes in all guest rooms were also replaced at a cost of Rs. 2.3 million. New wardrobe door panels were imported from Indonesia for all guest rooms through an investment of Rs. 1.9 million while several wardrobes in the guest rooms were also replaced at a cost of Rs. 2.3 million.

A further Rs. 1.4 million was invested to add new reading lamps imported from UK to all guest rooms Rs. 3 million was invested in new bed side lamps imported from Indonesia. Guest room safes were upgraded with an investment of Rs. 3.3 million. Total investments made by TFR in order to upgrade the look, feel and standard of our guest rooms stood at Rs.33 million by the end of the financial year.

Restaurants, Bar and Pool Areas

As a continuation of last year's replacement program the hotel has invested Rs. 6 million toward in the improvement of furniture and other supplementary equipment across all of its restaurants, bar and other dining areas.

Given that the Hotel's tranquil and relaxing pool area is another part of the hotel which many of our visitors choose to spend 7-8 hours around, the Hotel also took steps to bring in 40 new beach umbrellas at a cost of Rs. 2.5 million while a further investment of Rs. 4.5 million was made to upgrade the pool itself with new tiles, and an attractive fiber optic lighting system for the main swimming pool. We also invested Rs. 16 million to import new Sun lounges from Philippines for the main pool area, and beach front guest rooms.

Kitchen

During the year under review, TFR invested Rs. 3.7 million to further enhance kitchen facilities, including the addition of a large amount of new equipment, as part of our efforts to obtain the Good Manufacturing Process (GMP) certification from the Sri Lanka Standards Institute (SLSI).

Technology

Given the changing face of the tourism and hospitality industry, at both a global and local scale, as a result of emerging technologies, TFR continued to make substantial investments to improve the technological capabilities of the Company. Most notable among these investments during the year under review was the design and launch of a new website for TFR, while further investments were also allocated towards digital and social media marketing, at an investment of Rs. 1.5 million. Additionally, TFR also carried out integration of Opera PMS utilising the Siteminder channel manager platform with the aim of improving our online business for which we invested a further Rs. 0.8 million.

The Hotel's material control system was also upgraded to its latest version during the year at an investment of Rs. 0.2 million while steps were also taken to upgrade the Hotel's mobile app at a cost of Rs. 0.1 million, thereby enabling Hotel guests to order and book their meals and tours while they stay in the Hotel while also facilitating any outside guests to book their meals if they downloaded our mobile app. Additionally, TFR also invested Rs. 1.8 million towards upgrading its IT hardware to better accommodate the above described new features and upgrades.

Financial Highlights

Despite stiff competition, substantial investments and the 40-day interruption in occupancy for refurbishments, TFR nevertheless posted another strong financial performance during the year in review. Revenue (including other income) increased by 2% YoY despite reduced occupancy, climbing to Rs. 674.3 million by the end of the financial year. This improved turnover was partially a result of an 11% YoY increase in average room rates up to Rs. 34,342, which in turn resulted in a 4% YoY expansion in room revenue up to Rs. 399.8 million.

One of the key challenges face by the tourism industry at the moment is lack of trained staff for various skilled and unskilled ranks in the hotels.

Total assets expanded by 9% YoY to Rs. 1.96 billion – capturing some of the substantial and continuous investments made by TFR during the year in review while borrowings decreased sharply by 34% YoY down to Rs. 22 million. These strong performances ultimately enabled TFR to post a final profit for the year of Rs. 140.6 million, reflecting a highly commendable improvement of 4% YoY. These strong performances were also reflected in a strong earnings per share (EPS) of Rs. 1.27, up 4% YoY.

A more detailed analysis of the Hotel's financial performance can be found in the Management Discussion and Analysis section of this annual report.

Sustainability

With 2017 being declared the International Year of Sustainable Tourism, our industry and our guests are increasingly, and rightfully, concerned with the impact that their travel and their accommodation has on the environment and the communities and cultures they come into contact with. As nations seem to be looking increasingly inward, putting in place barriers to trade and movement of people, the role of Travel and Tourism becomes even more significant, as an engine of economic development and as a vehicle for sharing cultures, creating peace, and building mutual understanding. Over the longer term, growth of the Travel and Tourism sector will continue to be strong so long as the investment and development takes place in an open and sustainable manner.

For our part, the entire team of employees and the Management of TFR firmly believes in the benefits of sustainably mitigating any negative impact of our operations on the environment and area in which our properties are situated. In that regard, our company adopts a multi-faceted approach towards sustainability encompassing the economic, environmental and social sustainability the details of which will be more fully elaborated on in subsequent chapters of this annual report.

Human Development

One of the key challenges face by the tourism industry at the moment is lack of trained staff for various skilled and unskilled ranks in the hotels. Currently, the number of students coming out of hotel schools and training institutions is simply not enough to meet rapidly expanding industry demand.

In order to meet this serious challenge head-on, TFR has continuously implemented several initiatives aimed at attracting talented trainees from hotel schools as well as from NAITA and NAB. Consequently, we have a regular pool of trainees available at any given time and we look aim to nurture and educate our trainees in order to provide them with as much value as possible and we are pleased to report that the majority of our trainees often choose to continue as permanent staff after they complete their time with us. Once this credibility builds up with the students they know that the Hotel will offer them the first opportunity when the vacancies are coming.

At the moment, the Hotel has given about 25 permanent employment opportunities for the trainees who joined the Hotel 3 years ago. We also continue this program every year which continues to attract talented recruits who will doubtless go on to make their own positive impact on our industry as they rise through the ranks in the years and decades to come.

Our people remain our most valuable asset and TFR takes great pride in the continuous efforts channelled towards training and skill development at every level of the organisation.

During the year under review, these efforts encompassed a range of vital subjects including language skills, guest relations, occupational health and safety, energy saving practices and several other areas of vital importance. Special sessions were also conducted with internationally renowned Singapore Airlines trainer, Ron Kaughman and internationally respected hotelier, environmentalist and trainer, Mr. Srilal Mithapala. In total, TFR invested Rs. 1.3 million the aforesaid training programs in the year, reflecting an 18% YoY increase in spending on training and development.

Environment

TFR's organic garden continues to prosper and today we cultivate some of our requirement of fruits and vegetables directly from our own garden, which is utilised for consumption on a daily basis. Having commenced the project in 2014, the garden is tended to by Hotel garden staff and the entire process there has been supervised by an outsourced horticulturist with a wealth of experience and expertise on the subject. During the year under review, TFR further developed the garden with an investment of Rs. 1 million spent on plants, maintenance and garden consultancy fee. As a result the Hotel benefited with a harvest worth of Rs 865,000 during the year under review.

The Hotel is also working towards achieving prestigious Green Globe Certification and to that end, underwent a concerted and continuous programme to minimise the use of plastic and other non-biodegradable materials that are harmful to the environment.

Meanwhile, the property's solar panel project, which was commenced in 2014, continues to be utilised for the generation of hot water for service areas such as laundry and staff accommodation, helping to ease energy usage of the property further.

Social Sustainability

Another crucial aspect of TFR's sustainability strategy is in relation to the communities and culture in which we operate. In addition to special events hosted at the Hotel that serve as a platform for local artists to showcase their talents to an international audience, we also continue to showcase the work of local craftsmen at the hotel gift shop. During the year in review, we are pleased to note that the revenue distributed to these craftsmen through the hotel gift shop expanded by 3% YoY to reach Rs. 5 million. Meanwhile, payments made to local artists amounted to Rs. 3.8 million during the period in review.

Additionally, the Hotel also made donations of gift vouchers to the children of staff members in the Hotel to help them purchase school books, furthering an annual initiative that was first commenced in 2007. During the year under review, the Hotel invested Rs. 360,000 for this purpose. Additionally, TFR also donated a bicycle shed to the public park adjoining the Hotel. During long weekends and holidays many visitors visit the space in order to enjoy a sea bath and relax. Given that these visits often result in some pollution, the Hotel donated garbage bins to the park last year to ensure that the space is kept clean at all times for local guests and international tourists alike to enjoy in comfort.

Economic Sustainability

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 cognisant of the need to open up new avenues of growth and has taken important steps towards this end through its investments into a new venture. In that regard, we are pleased to note that our efforts to establish a new 92-room luxury property in Mirissa are proceeding to schedule. Almost all approvals for the project were secured by the end of the year in review and construction on the project is anticipated to commence within the first half of the new financial year, subject to final approval by the Board of Directors. Designed to capture a similar ambience and style to our Koggala property, the total project cost has been estimated at Rs. 3 billion, excluding land value.

Together with the timely investments previously described towards the continuous improvement of our Koggala property, and into the continuous development of our valued team of employees we remain fully confident in the continued profitability and sustainability of our business model.

Acknowledgements

At the conclusion of another highly successful financial year, I wish to express my deep and sincere appreciation to the former Managing Director Mr. Sumith Adhihetty , Chairman and Board of Directors of TFR whose vision and acumen have been instrumental in securing the best performance and enhancing the sterling reputation of the TFR.

Our most valued team of employees are also fundamental to our success, and I wish to thank each of them for their diligent service and complete commitment to further enhancing the rich legacy of The Fortress Resort and Spa.

I wish to express my sincere gratitude to our team of employees who continue to diligently serve our company and extend the rich legacy of The Fortress Resorts and Spa. I look forward to working closely with our team in the year to come to take our Company to even greater heights.

K D H Perera
Managing Director

17 May 2018

Board of Directors


1


2


3


4

1 Mr. Dhammika Perera

Chairman

Mr. Dammika Perera is the quintessential strategist and business specialist with interests in a variety of key industries including Manufacturing, Banking and Finance, Hospitality and Hydropower generation. He has nearly thirty years of experience in building formidable business through unmatched strategic foresight.

Mr. Perera is the Chairman of Vallibel One PLC, Royal Ceramics Lanka PLC, Lanka Ceramic PLC, Lanka Tiles PLC, Lanka Walltiles PLC, Vallibel Power Erathna PLC, Delmege Limited, and LB Microfinance Myanmar Company Limited. He is the Co-Chairman of Hayleys PLC, The Kingsbury PLC, Singer (Sri Lanka) PLC, Executive Deputy Chairman of LB Finance PLC and Deputy Chairman of Horana Plantations PLC. He is also the Executive Director of Vallibel Finance PLC and serves on the Boards of Amaya Leisure PLC, Haycarb PLC, Hayleys Fabric PLC, Dipped Products PLC, and Hayleys Global Beverages (Pvt) Limited.

2 Mr. J A S Sumith Adhihetty

Director

A well-known professional in the marketing field, he counts over 38 years of experience in the finance sector.

He serves on the Boards of Vallibel One PLC, Summer Season Residencies Ltd, Summer Season Mirissa (Pvt) Ltd, La Forteresse (Pvt) 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. C J Wickramasinghe

Director

Mr. Chandra J. Wickramasinghe counts over 38 years experience in the leisure industry. He is the Founder Chairman of Connaissance de Ceylan (Pvt) Ltd, Maalu Maalu Resorts and Spa, Aliya Resort and 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, organised by the Federation of the Chamber of Commerce and Industry (FCCISL).

4 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.

Board of Directors Contd.

5 Mr. Merril 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.

6 Mr Suranimala Senaratne
Director

Mr. Suranimala Senaratne counts over 38 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.

7 L T Samarawickrama

Deputy Chairman

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 specialised in Hotel designs and development, he has been responsible for the careful planning and execution of Amaya Resorts and Spas 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 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. Lalit N de Silva Wijeyeratne who was appointed to the Board of The Fortress Resorts PLC on 22nd March 2010. He is a fellow of the Institute of Chartered Accountants of Sri Lanka and counts over 39 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 and 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 38 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 and 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

Chatura V. Cabraal is a Graduate (with Honours) in Mechanical Engineering (BSc.) with a focus in manufacturing and design from the Missouri University of Science and Technology.

He is currently working for CHEC Port City Colombo (Pvt) Ltd. in the Property Development Department. He previously worked at Brandix Lanka (Pvt) Ltd. as a Sustainability Engineer (2011-2014) in the Energy and Environment Department. He started his career in 2010 as a Management Trainee at John Keells Hotel Management Services.

He is also the co-owner and co-founder of Royal Orchids (Pvt) Ltd. which owns and operates a floriculture farm.

He also serves on the board 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 17 years of experience in audit, financial management and reporting, including strategic and corporate planning across different industries.

He is currently the Head of Finance and 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 2015.

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

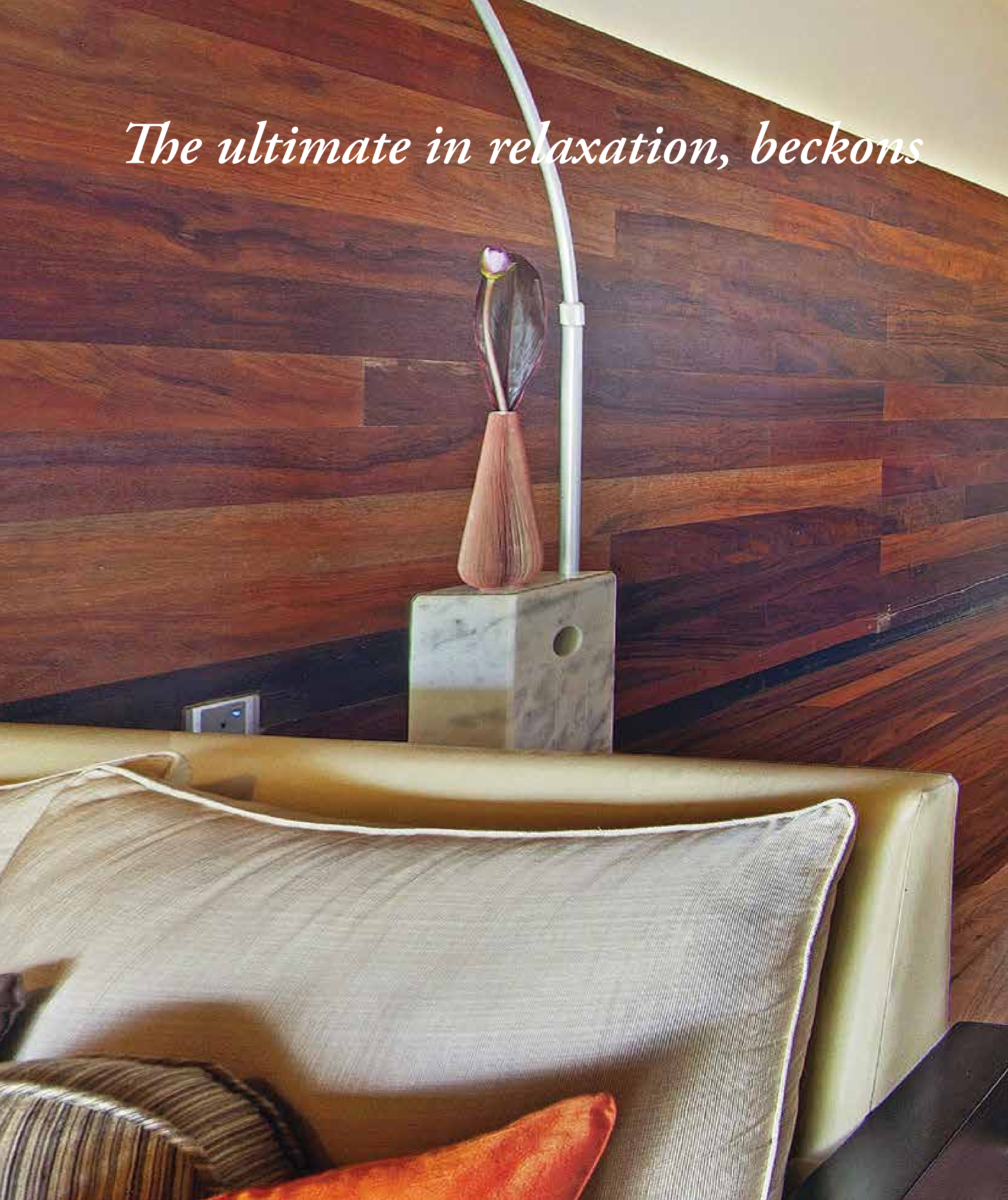
Previously, she was attached to World Conference on Youth Secretariat, Ministry of Youth Affairs and Skills Development as the Manager.

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 specialised 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.

14 Mr. K D H Perera

Managing Director

Mr Harendra Perera is a Director of Vallibel Holdings (Pvt) Ltd, Vallibel Lanka (Pvt) Ltd and is a Director of several other Vallibel companies. He is also a Director of Amaya Leisure PLC.


The ultimate in relaxation, beckons

Management Discussion and Analysis

Introduction

In keeping with The Fortress Resorts PLC's stringent commitment towards maintaining a transparent and accountable relationship with its stakeholders, this report has been prepared to provide a detailed analysis into the affairs and major challenges and opportunities for the Company including a summary of notable initiatives and overall financial performance, particularly with regard to developments in the local tourism industry, national economy, and shifting global economic and sociopolitical trends during the financial year ended 31st March 2018.

Global Economic Climate

The year under review was marked by widespread volatility arising from natural disasters, geopolitical tensions, and deep political divisions widening in many nations. In this climate, Donald Trump was sworn in as President of the U.S. while in Europe a string of elections led to a wave of right-wing party victories. In the Middle East, Saudi Arabia has been undergoing significant changes, announcing a new Crown Prince and launching a national corruption crackdown that ensnared several members of the royal family. Additionally, tensions between Saudi Arabia and Qatar came to a head, with the former being "frozen out" by its regional contemporaries and marking another escalation in the proxy conflict between Saudi Arabia and Iran. These tensions continue to ramp up in 2018, and continue to weigh heavily on the outlook of the global economy.

However, it is important to note that despite the downside risks generated by such developments, overall the global economy enjoyed a positive performance, with 2017 ending on high note with regard to global GDP which continue to accelerate over much of the world in the broadest cyclical upswing since the start of the decade.

Global GDP in current prices totalled an estimated US$ 79.3 Trillion, as compared with a previous US$ 75.5 Trillion as growth accelerated in almost three quarters of the world's national economies; the highest share since 2010.

Several nations that had previously endured prolonged periods of high unemployment, including several nations in the Euro zone, witnessed strong growth and improved labour force dynamics including notable emerging market economies like Argentina, Brazil, and Russia; all of which managed to break out of recessionary cycles. Consumers in emerging markets continued to drive spending growth, with the average emerging market consumer now spending US$ 2,569 over the year.

Overall global GDP increased from 3.2% to 3.8% during the year in review, driven primarily by strong growth across emerging and developing economies which closed the year at 4.8%, as compared with a previous 4.4% in 2016 buoyed strong performances across the Asia Pacific region and the continuing development of opportunities in the region's two largest economies, India and China, which together with the United States, Japan, Germany and France, stood out as the largest economies in the world according to GDP.

Boosted by a recovery in investment, global trade growth rebounded from its slowest pace since 2001, other than during the recession of 2009. International commodity prices also began to show signs of a resurgence during the year in review with crude oil prices rising from a low of approximately US$ 45 per barrel up to just under US$ 65 per barrel by the end of 2017 having since crossed the US$ 70 mark in 2018. Rising oil prices were correlated with rising commodity prices, including increased metals and food. However, future prices indicate general stability or some moderation in prices going forward, likely leading to continued adjustments by commodity exporters in order to remain competitive in an environment of lower revenue.

The United States

Despite a highly tumultuous political climate, the US economy continues to record positive improvements in terms of overall economic performance as GDP rose from 1.5% in 2016 up to 2.3% by the end of 2017. This firmer footing for the US economy, together with improved unemployment figures, and increasing consumer confidence, is anticipated to position the country for improved growth prospects over the coming year.

The US economy's performance has also been buoyed by simultaneous growth in nations around the world, which has fuelled trade and enabled foreign consumers to buy more US-made products. Given the unpredictable pronouncements more recently issued by the Trump administration with regard to trade policy with China, and the EU, together with the reversal of support for progressive energy and environmental policies including its controversial withdrawal from the Paris Climate Agreement, the current direction of US policy often runs counter to the emerging international consensus on issues like renewable energy. Hence, the growing incongruity between US and international policy remains a key source of uncertainty.

Hefty tax cuts, particularly for businesses, are expected to encourage more investment and spending, although many economists predict ballooning deficits will overtake the positive effects over the longer term. It is also important to consider that these substantial tax cuts were balanced through the slashing of social welfare budgets, particularly with regard to health and education, which could also generate strong downside risks for the US economy over the medium-long term. While business confidence is high, grassroots socio-economic development remains a concern moving forward.

European Union

Sociopolitical tension within the Eurozone eased somewhat over the year under review. In the series of elections held in major EU countries in 2017, pro-EU parties garnered majorities in all countries, and EU countries have maintained unity to face the Brexit negotiations. Newly formed nationalistic and populist movements lost momentum following defeats in Dutch and French elections, However, the political debate in the region continues to be skewed by far-right elements, more recently emerging in the form of a highly divided election result in Italy.

Nevertheless, from an economic perspective, the Eurozone recorded its strongest performance in almost a decade as GDP rose to 2.4% in 2017, up from 1.7% in the previous year. The positive impacts of this remarkable growth was so strong that it even created positive economic growth among key trading partners to the extent that the IMF considered the EU to be an engine of growth in 2017.

Notably, the southern nations of the euro zone have come a long way from the depths of the 2012 sovereign debt crisis, which resulted in international bailouts and eventually unprecedented monetary stimulus from the European Central Bank. 2017's turnaround for these countries is emphasized by a swath of debt rating upgrades. In October, S&P unexpectedly upgraded Italy's credit rating for the first time in 3 decades. The previous month, S&P raised Portugal's rating to investment grade after 5 years as "junk" debt.

One of the brightest signals of the Eurozone's improvement might be from Greece. Just 2 years after almost being pushed out of the currency union while trying to organise a bailout, the nation has managed to return to bond markets this year and had its credit rating upgraded by both Fitch and Moody's.

Among the most notable economic performances during the year in review was the United Kingdom, which within the span of a year went from being among the fastest growing G7 nations with a GDP growth rate of 2.3% at the end of 2016, down to 1.9% in 2016 and 1.8% in 2017. This downward trend reflects continuing

instability and division among policy makers in the wake of the Brexit vote.

During the year in review, the UK reached a broad agreement with the EU on the terms of withdrawal, including the amount of the UK's "divorce bill." However, the impact that such a withdrawal will have on Free Trade Agreements and future trade relationships with the EU remains uncertain with opinion being divided even among members of the UK Cabinet. If the UK government is unable to form a consensus on its negotiation policy, a breakdown in negotiations and a chaotic withdrawal will become increasingly realistic. As such, the possibility of major shocks on markets cannot still be ruled out but, the overall risk appears to be lower than in the previous year.

Conversely, economic growth among the EU's strongest economies continued to rebound as Germany concluded 2017 with a GDP growth rate of 2.5%, up from 1.9% in 2016 while France posted improved growth of 1.8%, as compared with 1.2% in 2016. Economic stability in both nations is widely projected to improve over the coming year as both nations had their economic policies validated at the polls, despite notable opposition.

Similarly, the Russian economy, which had been hampered by the imposition of trade sanctions in 2016, posted GDP growth of 1.5% where in the previous year, the economy had endured a recession as GDP shrank by 0.2% in 2016.

China

Defying predictions of a hard-landing, the Chinese economy continued to improve in 2017, posting GDP growth of 6.9%, as compared with a previous 6.7% supported by rising household incomes and improving external demand, and despite limited geopolitical tensions in the region and with respect to the United States of America. In particular, the recent easing of tensions with respect to North Korea has supported increasing confidence in the Asian region while the Chinese economy itself benefitted from increased job creation and continuing reforms of the public banking sector and local government debt management. Nevertheless, GDP growth is expected to decelerate to 6.4% in 2018 and 6.3% in 2019 mainly as a result of domestic policy tightening.

Nevertheless, Chinese economic and trade prospects remain strong moving into 2018, bolstered by the potential success for its One Belt, One Road (OBOR) Initiative. Despite concerns as to the military and geopolitical implications of OBOR, the potential for drastically improved regional and global trade with China at its centre is likely to gather increasing momentum as new ports, railways and related projects reach completion across the region.

India

During the year under review, India was the other major economy in the Asian region that continues stand as one of the largest in terms of global GDP, despite having recorded a reduction in GDP growth from 7.1% in 2016 down to 6.7% in the past year.

Lower growth has not discouraged business confidence, largest as a result of a prevailing climate of low inflation, improved current account balance and notable reduction in the fiscal deficit to GDP ratio. Continuing reforms have been a major contributor to positive sentiments around the Indian economy, with the year in review witnessing the introduction of a GST, significant steps towards resolution of problems associated with non-performing assets of banks, and the further liberalisation of the FDI. Notably, after remaining in negative territory, growth of exports rebounded into a positive one during 2016/17 and strengthened further in 2017/18. All of these factors bodedwell for the Indian economy. Particularly in a domestic context, it is anticipated that improved Indian economic performance will eventually give rise to further opportunities for Sri Lankan businesses as well.

Global Tourism Industry

Despite the substantial socio-political volatility and notable security incidents across the globe and particularly in developed economies, the global tourism industry continued to post strong growth over the year in review turning it into a key driver of socio-economic progress through the creation of jobs and enterprises, export revenues, and infrastructure development. Tourism has experienced continued to expand and diversify, with the brightest growth prospects coming from non-traditional tourism products and services that place a strong emphasis on sustainability, in addition to the emergence of numerous alternative destinations that have helped the industry to post uninterrupted growth for an unprecedented 6 decades.

Globally, international tourist arrivals were among the highest in the last seven years, expanding by 7% Year-on-Year (YoY) to 1,322 million arrivals in 2017, well above the sustained and consistent trend of 4% or higher growth since 2010.

Led by Mediterranean destinations, Europe recorded extraordinary results for such a large and rather mature region, with 8% more international arrivals than in 2016. Africa consolidated its 2016 rebound with an 8% increase. Asia and the Pacific recorded 6% growth, the Middle East 5% and the Americas 3%.

2017 was characterized by sustained growth in many destinations and a firm recovery in those that suffered decreases in previous years. Results were partly shaped by the global economic upswing and the robust outbound demand from many traditional and emerging source markets, particularly a rebound in tourism spending from Brazil and the Russian Federation after a few years of declines.

With the United Nations having declared 2017 as the International Year of Sustainable Tourism, coupled with increased awareness about the impacts of human civilisation and industry and its contribution towards climate change, the past year has seen a rising concern over the sustainability and environmental impact of all industries, including the tourism and hospitality sector and it is anticipated that such trends will only continue to gather momentum moving forward.

International tourist arrivals in Europe increased by 8% YoY to 671 million in 2017, following a comparatively weaker 2016. Growth was driven by the strong performances across Southern and Mediterranean Europe which recorded 13% YoY growth, Western Europe with 7%YoY growth, together with Northern Europe and Central and Eastern Europe both of which posted 5% YoY growth in arrivals.

The Asia Pacific region posted 6% YoY growth to close 2017 with 324 million international tourist arrivals with South Asian arrivals expanding by 10% YoY, while arrivals in South-East Asia grew by 8% YoY and Oceania recorded 7% YoY growth and North-East Asia increased by 3% YoY.

Meanwhile, North and South America welcomed 207 million international tourist arrivals, reflecting an improvement of 3% YoY. South America posted 7% growth, followed by Central America and the Caribbean at 4% YoY each, with the latter showing clear signs of recovery in the aftermath of hurricanes Irma and Maria. In North America, arrivals increased by 2% YoY, driven by robust results in Mexico and Canada and contrasted with a decrease in the United States, the region's largest destination.

Meanwhile, the African region posted an estimated 8% YoY improvement in arrivals, rebounding from lower arrivals in 2016 to reach a record 62 million international arrivals in 2017. North Africa enjoyed a strong recovery with arrivals growing by 13% YoY, while in Sub-Saharan Africa, arrivals increased by 5% YoY.

Despite continuing geopolitical volatility in certain states, the Middle East region received 58 million international tourist

Management Discussion and Analysis contd.

arrivals in 2017 with sustained growth in some destinations and a strong recovery in others contributing towards the notable 5% YoY improvement in arrivals.

Internationally, Chinese tourists remained the highest spenders contributing US$ 258 billion towards the industry, reflecting growth of 5% YoY, followed by American tourists whose spending increased by 9% YoY to US$ 135 billion. German tourists accounted for US$ 84 billion in tourist spending, while British tourists accounted for US$ 63 billion, each posting an improvement of 3% YoY. Meanwhile, spending by French tourists increased by 1% YoY up to US$ 41 billion. In total, the global tourism sector was estimated to generate upwards of US$ 1.4 trillion accounting for 7% of exports and 10% of GDP globally in 2017. The outlook for the Travel and Tourism sector in 2017 remains robust and will continue to be at the forefront of wealth and employment creation in the global economy, despite some limited but notable potential challenges. Direct Travel and Tourism GDP growth is expected to accelerate to 3.8%,

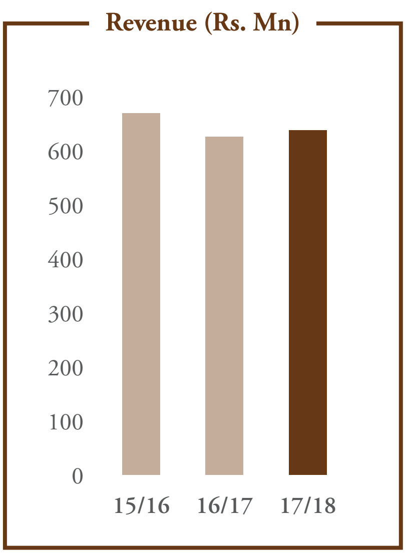
Sri Lankan Economy

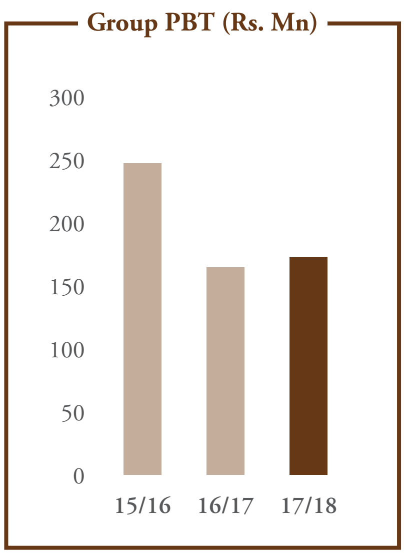
The Sri Lankan economy recorded a weaker performance in 2017 as GDP growth fell to 3.1%, its lowest in 16 years. Weaker economic performances were largely attributed towards the prevalence of strong adverse weather conditions across different parts of the island, with severe and prolonged droughts in the dry-zone of the country's Northern and Central provinces and unprecedented destructive flooding in the wet-zones of the Southern province.

A tight monetary policy and the resultant effect of slower credit growth resulted in relatively benign inflation, which closed the year at 7.1% before lowering to 4.2% by March 2018 However, these figures are projected in increase in the wake of rising commodity, oil and energy prices. According to current projections, the long-term inflationary outlook for Sri Lanka is projected at approximately 6% through to 2020.
Adverse weather conditions drastically impacted agriculture sector performance which posted negative growth rates over the last 7 quarters including the 3rd quarter of 2017 when the sector contracted by 3.3% YoY. During the same period, the Services sector continued to expand by 4.3% while the Industrial sector recorded marginal growth of 1.9%.

External sector performance posted notable improvements during 2017 with full-year exports reaching an all-time high of US$ 11.4 billion, representing a 10% YoY improvement over the previous year, and surpassing a previous best performance of US$ 11.1 billion.

The sectors showing particularly strong year-on-year growth were tea 20% and fisheries 40%. Tea benefitted from higher prices and





enhanced access to Middle Eastern markets, particularly Iran. Similarly, fisheries benefitted from both the lifting of the EU ban in June 2016 and the GSP+ concession in May 2017.

Meanwhile, worker remittances; which expanded by 3.2% YoY to US$ 579.5 million in January 2018 following news of an overall 1.1% YoY reduction in remittances down to US$ 7.24 billion over the course of 2017. A major reason for this decline was the continuing instability throughout the Middle-East region, which typically accounts for the vast majority of inward Sri Lankan worker remittances.

Sri Lanka Tourism Industry

The Sri Lankan tourism and hospitality sector posted strong performances over the year in review as tourist arrivals increased to 2.12 million, over 2.05 million arrivals in 2016. These strong improvements were supported by continuous and drastic expansions in tourism related infrastructure development and investments, and bolstered by improving connectivity through the introduction of new airlines and over the recent past.

Sri Lanka also continues to draw attention at a global scale for the diversity and depth of its natural and cultural attractions, although the island still lacks in shopping and recreational activities, despite notable additions throughout the year.

Arrivals by country - Top 10	2017	2016	Change	
India	384,628	356,729	8%	increase
China	268,952	271,577	-1%	decrease
United Kingdom	201,879	188,159	7%	increase
Germany	130,227	133,275	-2%	decrease
France	97,282	96,440	1%	increase
Australia	81,281	74,496	9%	increase
Maldives	79,371	95,167	-17%	decrease
Russia	59,191	58,176	2%	increase
USA	57,479	54,254	6%	increase
The Netherlands	51,148	41,373	24%	increase
Total	**1,411,438**	**1,369,646**	**3%**	**increase**

In terms of source markets, India accounted for the highest number of tourist arrivals to the island, posting 8% YoY growth to reach 384,628 arrivals in 2017, followed by China which accounted for 268,952 arrivals, reflecting a 1% YoY reduction in arrivals. Meanwhile, arrivals from the United Kingdom rose to 201,879 visitors, reflecting a 7% YoY improvement, while German arrivals decreased by 2% YoY to 130,227 arrivals.

Arrivals from France and Australia remained relatively stable during the year, with arrivals from each country being recorded at 97,282 and 81,281, reflecting growth of 1% YoY and 9% YoY respectively. Other notable trends in arrivals were seen from the Maldives, which posted a 17% YoY reduction to 79,371 visitors while arrivals from the Netherlands recorded the highest levels of growth during the year, expanding by 24% YoY up to 51,148 arrivals in 2017.

Among the other notable trends in arrivals during the year under review was a sharp increase in visitors from Latin America, up by 15% YoY to 6,482 visitors and a similar 10% YoY improvement in visitors from Australasia up to 92,003 arrivals. Instability in the Middle-East was reflected in a 11% YoY reduction in visitors from the region down to 95,581 arrivals, despite overall stable levels of tourism out of the entire region. In the coming year, it is estimated that total arrivals will increase to 2.78 million tourists.

Arrivals by region	2017	2016	Change	
Australasia	92,003	83,851	10%	increase
South Asia	518,085	513,536	1%	increase
East Asia	444,310	425,161	5%	increase
Middle East	95,581	107,635	-11%	decrease
Africa	12,703	12,144	5%	increase
Eastern Europe	161,967	161,131	1%	increase
Western Europe	680,901	643,333	6%	increase
Latin America	6,482	5,625	15%	increase
North America	104,375	98,376	6%	increase
Total	**2,116,407**	**2,050,792**	**3%**	**increase**

Management Discussion and Analysis contd.

During this time, earnings generate by the tourism sector increased from US$ 3.6 billion up to Rs. 4.6 billion. Parallel to the island's rising prominence as an international tourist hotspot, and the expansion of the sector as a whole, the increase in more affluent travellers visiting the island has also contributed significantly towards increased earnings within the sector, which now stands as the third largest revenue earner for Sri Lanka, accounting for US $ 4.6 billion in 2017 and US $ 3.6 billion in 2016, and contributes 14.2% of foreign exchange earnings of the country. Over the course of the next financial year, it is estimated that earnings will increase to US$ 6 billion.

As noted in both the Chairman's and CEO's statements in prior sections of this report, the rising popularity of Sri Lanka as a tourist destination has resulted in drastic expansion of hospitality providers at every-level of the industry.

Given that room capacity in tourist hotels was constrained severely by the lack of investments during the conflict period, excess demand was met by supplementary establishments. According to the Annual statistical report 2017, tourist hotels (or the formal sector) are establishments registered with the Sri Lanka Tourism Development Authority (SLTDA), and consist of classified, unclassified, luxury, and boutique hotels.

Supplementary establishments are guest houses, homestays, bungalows, rented tourist homes and apartments, heritage hotels, and bungalows approved and registered by the SLTDA, considered to be suitable for occupation by foreign visitors. Online Travel Agencies (OTAs) such as Agoda, Bookings.com, Trip Advisor, travel blogs, guides, and reviews, which have been gaining popularity in the recent past, led to the burgeoning of supplementary establishments in Sri Lanka, fuelled by direct marketing activities via low cost online platforms.

Capacity in the formal sector grew due to investments by international hotel chains such as Shangri-La, RIU hotels, and, Movenpick Hotel Colombo among others in the post war period. Room capacity in the formal sector rose by 52%, with an addition of 7622 rooms during 2010 -2016, while capacity in the supplementary establishments rose exponentially by 96%, with an addition of 5,640 rooms during the same period.

Consultations with stakeholders highlighted that approximately 28% to 32% of tourist hotels and supplementary establishments' profits are taxed. This includes 15% Value Added Tax, 10% Service Charge, 2% Nations Building Tax, and 1% Tourism Development Levy. However, most unregistered businesses (the informal sector) do not pay such taxes, creating an unequal playing field.

While both hotels and supplementary establishments are threatened by an erosion of market share, the latter is placed in a more precarious position. This is because supplementary establishments operate on a low cost model. With approximately one-third of profits taxed, there are limited funds to plough back as investments. Most of these low cost operators absorb the costs without translating the taxes into higher room rates to ensure their competitiveness. According to the provisions of the Tourism Act No.38 of 2005, which was enacted in 2007 necessitates service providers (including the informal sector) to register or obtain a license with the SLTDA; failure to do so could result in paying hefty fines or facing imprisonment. Enforcement is likely to come into effect in a few months due to the growing burden of the informal sector on other players in recent years. This may resolve the issue of tax avoidance on the part of the informal sector.

The growing proportion of unregulated service providers are a risk for all stakeholders in the industry if minimum quality standards are not adhered to. While reviews and blog posts are likely to capture substandard experiences offered to visiting tourists, it is central that authorities make concerted efforts to monitor and regulate the performance of these services.

While these trends are a sign of the continuously increasing popularity of Sri Lanka as a vibrant, diverse and truly unique global tourist hotspot, this popularity brings with it substantial challenges for the industry and its composite segments as gaps in room and service capacity become more evident in the face of expanding tourist arrivals. While these dynamics have continued to support the emergence of a booming informal hospitality sector, further rapid, unplanned development in our industry holds potentially serious downside risks both for the formal sector, and the wider industry as it moves towards the Government's 2020 target of establishing 75,000 rooms to cater to 4.5 million tourist arrivals.

These trends are consistent across the country, and in the Koggala region as well. Where in the past, TFR was among the very first properties to enter the region, there are currently over 100 villas in the vicinity of our property that offer moderate accommodation facilities at notably lower rates 200 rooms and located 10km away from Koggala.

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.

Company Performance

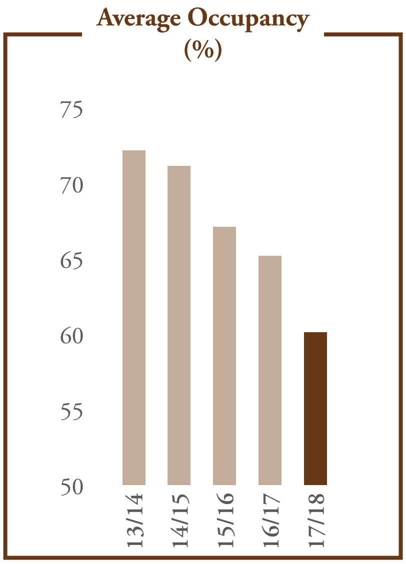
Positioned as one of Sri Lanka's most exclusive coastal boutique hotels, The Fortress Resorts and Spa is internationally renowned as one of the most scenic, memorable, and luxurious getaways for discerning travelers seeking pristine beaches, elegant colonial-style décor, and a wide choice of soothing spa treatments to rejuvenate the senses and improve well-being of body and mind.

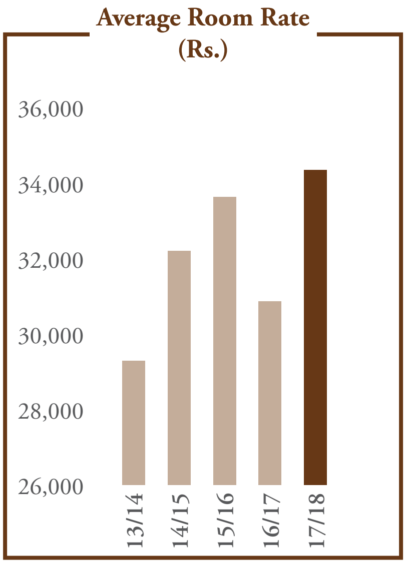
The property's lavish features are complemented by a sumptuous array of cuisine that draws together an eclectic mix of international and local flavours to create unforgettable gastronomical experiences that delight even the most discerning palate. Its team of well trained and experienced chefs are also 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 and others with special food requirements.

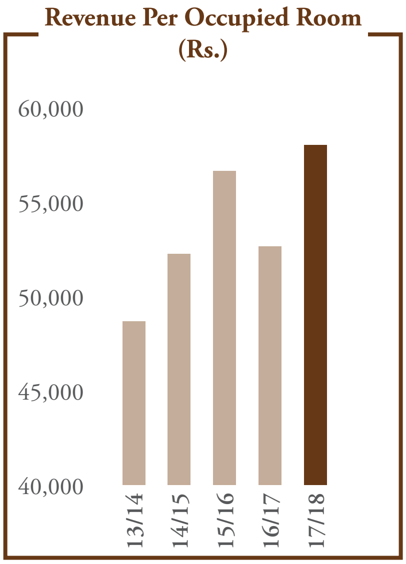
Together with its outstanding reputation for warm, friendly service by a dedicated and highly trained staff, The Fortress Resort and Spa stands as a shining example of a sincere, authentic Sri Lankan holiday experience.

Financial Highlights

During the year in review, the company posted another strong financial performance with revenue increasing by 2% YoY up to Rs. 674.3 million. Improved turnover was partially a result of an increased average room rate up to Rs. 34,342, which in turn resulted in a 4% YoY expansion in room revenue up to Rs. 399.8 million. Food revenue remained relatively stable at Rs. 156.2 million while beverage revenue increased by a nominal 1% YoY up to Rs. 59 million.







Management Discussion and Analysis contd.

Meanwhile, spa revenue reduced from Rs. 24.6 million down to Rs. 23.7 million during the period under review. However, this reduction was partially offset by a 6% YoY increase in sundry revenue up to Rs. 35.6 million.

Finance income reduced by 15% YoY down to Rs. 44.3 million while operating costs were trimmed by 0.5% YoY down to Rs. 545.9 million during the year under review. Notably, the Company's borrowings posted a sharp 34% YoY reduction during the year down to Rs. 22 million, as refurbishment projects within the Hotel reached their conclusion. Consequently, TFR posted a 5% YoY increase in profits for the period, to close the year with a profit of Rs. 140.6 million and earnings per share of Rs. 1.27, as compared with a previous Rs. 1.22 per share.

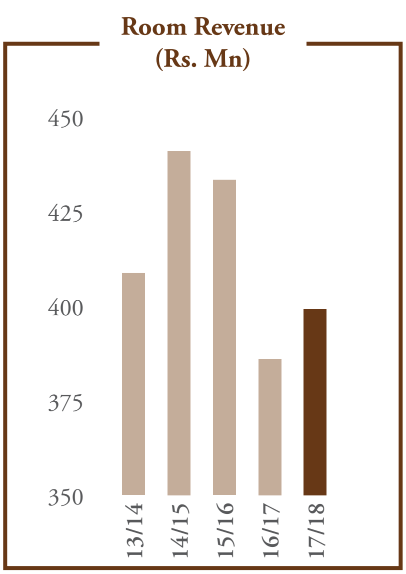
Operational Highlights

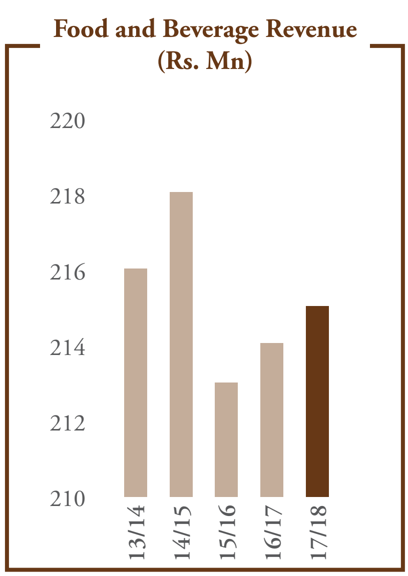
The company's impressive financial performance over the year in review was highly commendable given that the property was closed for refurbishments of the lobby area for a period of 40 days from the 11th of June 2017. Taking place during the off-peak tourist season, the closure, together with a rapid expansion in competition from lower-cost informal hospitality service providers in the Koggala region, contributed towards a reduction in occupancy rates for the year, reduced by 5% down to 60% from the sale of 11,641 room nights during the year in review, as compared with 12,519 room nights in the previous financial year.

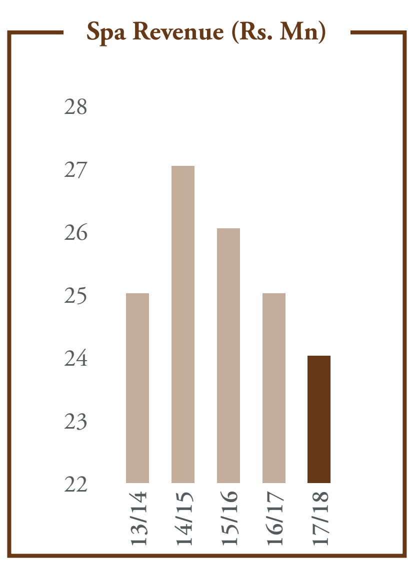
Refurbishments

The majority of refurbishment investments during the year was directed towards repair of the roof of the Hotel lobby. While the original structure was constructed with concrete rafters, wear and tear necessitated the replacement of these rafters. Given that the lobby of the Hotel is the first proper point of contact with guests, the management correctly identified the importance of refurbishments and took decisive action to replace these concrete rafters with timber structures during the off peak period in June and July. Having secured the services of a well-reputed contractor, a total investment of Rs. 15.5 million was channelled towards the project in order to provide a longer-lasting solution that would also further enhance the ambience of the lobby area.

The impact of this temporary suspension in operations was also felt in terms of a slight reduction in the overall number of guests visiting the Hotel during the financial year, with TFR posting 22,799 guest nights, down by a marginal 8% YoY when compared with the previous year's 24,872 guest nights.







Close to 50% of the total guest nights came from UK nationals during the year under review. This was a 4% increase compared to the previous year. Germany was on the 3rd place after Sri Lankans and Indians became 4th. In the Sri Lankan segment there was a drop of 29% compared to the previous year due to the limited spending power of the people due to rising inflation and other adverse economic factors. The Hotel also witnessed a drastic depression in visitors from the German market which recorded a significant drop of 33% YoY. Similarly reductions were also recorded among guests from the UAE, China and US markets while notable improvements were seen from Indian, Swiss and French markets.

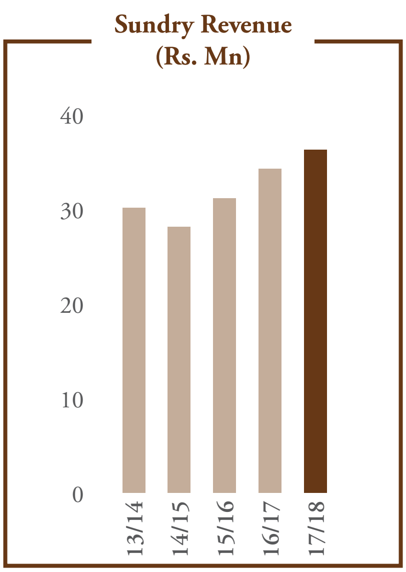
In addition to the timely refurbishment of TFR's lobby area, a further Rs. 74.1 million was invested towards a continuing programme instituted by the management towards the regular upgrading of the Hotel's fixed assets. As part of this programme, TFR invested Rs. 11 million towards replacing television sets in all guest rooms, upgrading them to Samsung 55' inch Smart LED TV, in addition to the installation of new TV brackets imported from Sweden in all the guest rooms requiring a further investment of further Rs. 2 million.

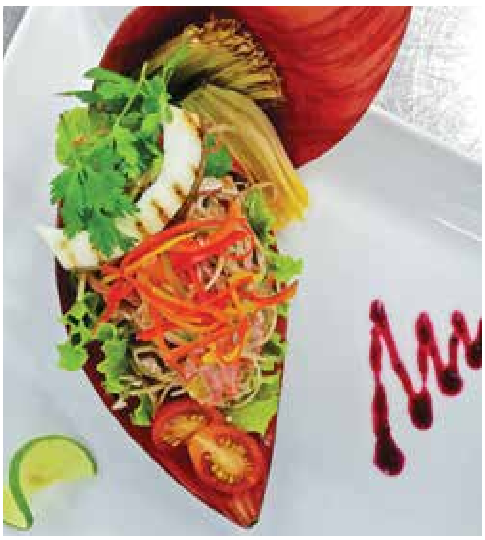
Meanwhile, TFR also invested an additional Rs. 1.1 million towards the upgrading of all telephones in guest rooms while bathroom commodes in all the rooms were also replaced at a cost of Rs. 2.3 million. New wardrobe door panels were also imported from Indonesia for all the rooms with an investment of Rs. 1.9 million while several wardrobes in the guest rooms were also replaced at a cost of Rs. 2.3 million.

A further Rs. 1.4 million was invested to add new reading lamps imported from UK to all guest rooms and a further Rs. 3 million invested on new bed side lamps imported from Indonesia. Additionally, guest room safes were upgraded through an investment of Rs. 3.3 million. Total investment made by TFR to update the look, feel and standard of our guest stood at Rs.33 million by the end of the financial year.

Restaurants, Bar and Pool Areas

As a continuation of last year's replacement program the hotel has invested Rs. 6 million towards the improvement of furniture and other supplementary equipment across all of its restaurants, bar and other dining areas.





Management Discussion and Analysis contd.

Given that the Hotel's tranquil and relaxing pool area is another part of the hotel which many of our visitors choose to spend 7-8 hours around, we have taken steps to bring in 40 new beach umbrellas at a cost of Rs. 2.5 million while a further investment of Rs. 4.5 million was made to upgrade the pool itself with new tiles, and an attractive fiber optic lighting system for the main swimming pool. We also invested Rs. 16 million to import new Sun lounges from Philippines for the main pool area, and beach front guest rooms.

Maintenance and Other Areas

The hotel invested a further Rs 2.6 million towards the improvement of efficiency in hotel sewage treatment plant during the year in review.

Kitchen

During the year in review, TFR invested Rs. 3.7 million towards further enhancing kitchen facilities – including the addition of a large amount of new equipment, as part of our efforts to attain Good Manufacturing Process (GMP) certification from the Sri Lanka Standards Institute (SLSI).

Cuisine

TFR has sought to balance the luxury of our accommodation and facilities with the offering of an equally sumptuous range of cuisine capable of delighting the most refined palettes and catering to the most exotic tastes to delight our international and local visitors alike. Today, TFR plethora of dining options includes authentic Sri Lankan dishes, in addition to dedicated restaurants and chefs specialising in Western, Indian, Chinese, cuisine to name a few. Particularly over the recent past, TFR's dining options have truly arisen to new heights, serving as a strong attraction to hotel guests and visitors to the Koggala region in addition to becoming a special dining destination for honeymooning couples and domestic travelers seeking a scenic getaway for their fine dining experiences.

At the conclusion of the year, the hotel's fine dining offerings span its most recently constructed restaurant, the Salty Snapper – which was opened in 2016. 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 to delight our valued guests and visitors from around the Koggala region.

The hotel's restaurant offerings are rounded out with a further four food and beverage facilities that also contributed significantly to revenue during the year. The hotel's atmospheric fine dining restaurant, 'Duo', offers a diverse selection of over 1,000 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, 'White', 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 flavorsome 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 30 of the very best premium, handpicked Dilmah brand of teas.

In order to further enhance the attractiveness of the Hotel's diverse restaurants and dining options, TFR also hosts theme nights on a weekly basis depending on hotel occupancy. Saturday seafood night is most popular in the area and many more outside guests from neighbour Villas flock to the Hotel to enjoy seafood night at the Fortress. Meanwhile, Wednesday Sri Lankan nights are allocated to showcase cultural performances by local artists.

Outlook

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

With regard to labour shortages, The Fortress Resort PLC is actively working to improve the flow of talent into the organisation through partnerships with leading local hospitality training organisations such as 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 25 students per annum at minimum. The Hotel is usually able to absorb between 5-10 students into its permanent employees per annum.

Given that The Fortress Resort and 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.

As an organisation, we are also seeking to expand our presence to capitalise on the rapid escalation of tourist arrivals to the Mirissa region. Again, our shareholders will take great pleasure in the outstanding progress that has been made over the year under review towards the establishment of a new property in the region. Nearly all of the preliminary approvals required to establish this property, which are being envisioned as large 92-room Hotel and Resort along similar design concepts to our Koggala property, have been completed and construction is targeted for commencement within the current financial year.

The full completion of TFR's all necessary renovations during the period under review also means that the coming financial year can be expected to proceed without any major interruptions in occupancy, which is likely to further bolster an already impressive bottom line.

The perfect tropical getaway

Sustainability Review

Scope of Reporting

This is the 5th Sustainability Report of The Fortress Resorts PLC (TFR). 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 2018. The Company profile data reflects figures at the end of the financial year of 31 March 2018. Content and figures referenced in the Annual Report and Financial Statements have been externally assured by a third-party independent auditor.

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 2018.

Strategy

The sustainability strategy adopted by TFR is based on integrated analysis, management and reporting of the economic, social and environmental impacts of our operations. TFR's values are firmly embedded in principles of transparency and accountability. Hence, all sustainability initiatives are carefully monitored in order to serve as a document our efforts and provide clear future parameters for continuous improvement of the company's sustainability commitments moving forward.

Particularly in the context of 2017 having been declared as the International Year of Sustainable Tourism by United Nations, the sustainability of tourism and hospitality continues to hold a place of increasing prominence among all industry stakeholders. Consequently, TFR continues to work towards honing its sustainability strategy in order to significantly address these concerns in a forthright and sincere manner.

In that regard, the Company continues to refine these efforts by exploring new avenues of investment that are capable of not mitigating, but also positively impacting our operations wherever possible, while still ensuring the highest standards of service for our guests. The communities surrounding the property are also a vital and vibrant facet of TFR's sustainability strategy, and to that extent, the Company continues to seek out methods of integrating these communities into the operations of the Hotel, empowering them with consistent, well-paid employment opportunities. With these guiding principles, we have 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.

As an industry leader, TFR remains committed to proactively pursuing sustainable initiatives that endorse our reputation as an ethical and responsible corporate citizen who leads by example. During the year under review, The Fortress Resort PLC made outstanding progress towards furthering the improvement of these goals through a concerted focus on key issues like social equity (addressing poverty and community issues), 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 property's carbon and energy footprint). 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.

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 to our Hotel The Fortress Resort and Spa, Koggala. 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 at Koggala. The Consolidated Financial Statements of the Company for the year ended 31 March 2018 comprise of the Company and its fully owned subsidiary "La Forteresse (Private) Limited" and Summer Season Mirissa (Private) Limited. (together referred to as "the Group").

Economic Sustainability

In developing an organisational 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 guarantee continued business over the medium to long term horizon.

As detailed in the Operational and Financial Highlights of the Management Discussion and Analysis chapter of this Report, the year under review not only witnessed the continuing profitability of the Group but also the maintenance of a proactive investment strategy that is geared to further support the medium-long term growth prospects of the Company. Such investments spanned short term projects like the continued refurbishment of key areas within the property, as well as long term investments being made towards the establishment of a new 92-room property in Mirissa. Once established, the new property will enable TFR to gain another strong presence in another one of Sri Lanka's most popular coastal destinations, that will serve to further bolster top and bottom line performance over the medium-long term.

Despite limited constraints to the Hotel's operations as a result of the 40-day renovation programme undertaken during the year in review, TFR nevertheless posted a 4% Year-on-Year (YoY) improvement in profits, and earnings per share of Rs. 1.27, as compared with Rs. 1.22 per share in the previous year. These improvements were brought about through improved top line performance as revenues by 2% YoY up to Rs. 674.3 million (including other income) during the period under review. Particularly given the fact that improved profit was achieved in spite of the closure of operations during refurbishments, and in the backdrop of sharply increasing competition from new entrants in the formal and informal tourism and hospitality sector, the continuing popularity of TFR's flagship property demonstrates the Hotel's strong potential for growth over the coming financial year and beyond.

Awards

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 has remained the Hotel's cornerstone of success over the past few decades. During the year under review, the Hotel was able to continue this winning legacy.

Award name	Received for	Award valid for	International / Local
Wellness and Spa Europe Certificate	Evaluated as "Leading Spa Selection" - 2018	2018 - 2021	International
Conde Nast Johansens	A Global collection approve d by local experts for Luxury Hotels, Spas and Venues for 2018	2018	International
TripAdvisor	Traveller's Choice Award Winner of Top 25 Hotels – Sri Lanka	2018	International
TripAdvisor	Traveller's Choice Award Winner of Top 25 Hotels for Romance – Sri Lanka	2018	International
TripAdvisor	Traveller's Choice Award Winner of Top 25 Hotels for Service – Sri Lanka	2018	International
Luxury Travel Guide (LTG) – Asia and Australasia Awards 2017	Luxury Hotel and Spa – Sri Lanka	2017	International
TripAdvisor	Certificate of Excellence	2017	International

Marketing

In the past year the Hotel continued to leverage its strong reputation for the most luxurious and memorable tropical vacation destinations to gain further international exposure, as evidenced by the numerous awards received by TFR.

Complementing these efforts, the Hotel took part in following trade fairs and events during the year to further enhance the positive attention directed towards TFR and gain further opportunities for marketing and business development.

	Period	Name of fair	Country	Total cost Incurred Rs	Remarks
1	24 – 27 April 2017	Arabian Travel Market	Dubai	832,285/=	Sponsored by SLTPB and attended By DGM and BDM
2	17 – 20 Sept. 2017	Luxperience	Australia	1,163,604/=	Sponsored by SLH and attended by DGM
3	06 – 08 Nov. 2017	World Travel Market, London	UK	1,305,070/=	Sponsored by SLTPB and attended By DGM and BDM.
4.	06 – 08 Nov. 2017	WTM Wellness Lounge	UK	393,069/=	Reedexpo Exhibition attended by DGM
5.	07 – 11 Mar 2018	ITB Berlin	Germany	972,028/=	Sponsored by SLTPB and attended by DGM.

Together with its participation at trade fairs, the group has also sought to bolster its digital and social media marketing. Supported continuous positive reviews from popular ratings platforms like TripAdvisor, TFR continues to build organic and inorganic publicity for itself, and over the coming financial year, aims to continue and further expand these initiatives in order to convey the unique attractiveness of our value proposition to an increasingly wider international audience.

The Hotel's marketing reach was further expanded through digital and social media marketing initiatives carried out throughout the year through an investment of Rs. 1.5 million. Additional investments were also directed towards the integration of Opera PMS utilising the Siteminder channel manager platform in order to further refine TFR's capacity for facilitating online business through an additional investment of Rs. 0.8 million.

Corporate Governance

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 whistleblowing as a positive act that makes a valuable contribution to the Group's ethical conduct of business, and promotes efficiency and long-term success. Our whistleblowing policy addresses employee concerns, and encourages them to

expose irregularities and uncover malpractice 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.

Training and Skills Development

Particularly in the context of a continuing dearth of qualified young professionals entering the tourism and hospitality sector relative to the rising demand for labour at every level of the industry as new entrants in both the formal and informal sector establish new accommodation, TFR continued its previous efforts to enhance training and development opportunities for all of its employees. These efforts are part of a strategy to build and maximise local capacity as much as possible, while providing employees with the necessary skills to rise up to managerial positions within the organisation and the wider industry.

In the year under review, several such programmes were conducted including English classes for Hotel staff members during the off peak period, in addition to a special training seminar which included the participation of front line managers conducted by the internationally renowned Singapore Airlines Trainer, Ron Kaughman, at the Waters' Edge, with a view to driving lasting improvements in service standards and quality.

Additional programmes conducted during the year under review included training on boiler operations for maintenance staff, training on energy saving and conservation practices for staff and supervisors, conducted by eminent Sri Lankan hotelier, environmentalist, and sustainability expert, Mr. Sri Lal Mithapala. Further on-the-job training was also provided to juniors and new recruits by the Hotel training manager and HOD's throughout the year.

Additional training was also provided to all staff in relation to Fire safety, conducted by the Sri Lanka Air Force fire team during the year. In total, TFR invested Rs. 1.3 million on the above training programs during the year as compared to a previous Rs. 1.1 million, reflecting an 18% YoY increase in investment from TFR.

Item	Invested in 2017 / 2018 (Rs,)	Invested in 2016 / 2017 (Rs,)
Staff training	1,263,615	1,123,786
Staff recruitment	244,856	1,157,246
Staff uniforms	2,837,139	2,334,249
Staff Medical insurance	2,553,752	2,675,572
Staff meals	11,912,580	11,367,621
Staff new year party	778,241	964,095
Staff accommodation	751,384	797,931
Staff new year bonuses	9,052,157	10,625,461
Total invested in employee welfare	29,393,724	31,045,961

The Hotel also maintains a strong relationship with hotel schools and related training institutions like NAITA and NAB, thereby ensuring that the Hotel has constant access to a vibrant pool of trainees at any given time. Each trainee is strongly incentivized to continue working at TFR following the completion of their qualifications. Currently, TFR maintains approximately 25 permanent employment opportunities for the trainees who joined the Hotel 3 years ago. We continue this program every year and attract very good trainees who will blossom in the industry in years to come.

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 ecosystems in which they operate.

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

In the past year, the Hotel was able to successfully maintain a thriving organic garden which is utilised to source some of the fruits and vegetables required for consumption at the Hotel. First initiated in 2014, the organic garden is tended to by the Hotel garden staff and supervised by an expert horticulturist in order to ensure that the garden strictly confirms to its organic certification while still yielding the highest quality of produce for the Hotel's kitchens.

In the period in focus, TFR further developed the garden with an investment of Rs. 1 million spent on plants, maintenance and a garden consultancy fee. As a result the Hotel benefited with a harvest worth of Rs. 865,000 during the year under review.

The Hotel is also working towards achieving the prestigious Green Globe Certification and to that end, underwent a concerted and continuous programme to minimise the use of plastic and other non-biodegradable materials that are harmful to the environment.

Meanwhile, the property's solar panel project, which was commenced in 2014, continues to be utilised for the generation of hot water for service areas such as laundry and staff accommodation, helping to minimise ease the energy usage of the property further.

Social Sustainability

The third pillar of the Group's sustainability initiatives is based on concepts of social equity and social inclusiveness. 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. They relate to SDGs of reducing inequality within countries, alleviating poverty, promoting education, gender equality and encouraging lifelong learning opportunities.

Sustaining local culture over the years, The Fortress Resort and Spa has consistently worked with local communities to showcase regional culture. From art to dancing, music and more, traditional dance events and cultural shows are held weekly for the entertainment of Hotel guests. These events utilise the talents of dance troupes, musicians, and artists in nearby communities.

	Revenue distributed in 2017 / 2018 Rs	Revenue distributed in 2016 / 2017 Rs.
Handicrafts	675,938/=	660,176/=
Paintings	1,609,800/=	1,566,050/=
Reedware	962,207/=	200,110/=
Others	1,797,569/=	2,491,716/=
Total	5,045,514/=	4,918,602/=

During the year in review, we are pleased to note that the revenue distributed to these craftsmen through the hotel gift shop expanded by 3% YoY to reach Rs. 5 million. Meanwhile, payments made to local artists reached Rs. 3.8 million during the period under review.

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

	2017 / 2018	2016 / 2017
Artists	Rs, 3,763,659/=	Rs, 4,326,747/=

Social Engagement

Additionally, the Hotel also made donations of gift vouchers to the children of staff members in the Hotel to purchase school books – furthering an annual initiative that was first commenced in 2007.

In the year under review, the Hotel invested Rs. 360,000/- for this purpose. Additionally, TFR also donated a bicycle shed to the public park adjoining the Hotel. During long weekends and holidays, many visitors visit the space in order to enjoy a sea bath and relax.

Given that these visits often result in some pollution, the Hotel donated garbage bins to the park last year to ensure that the space is kept clean at all the times for local guests and international tourists alike to enjoy in comfort.

Most of the village youth seek parttime employment providing guest transport services through the Tuk Tuk drivers association opposite the Hotel. Though the Hotel operates its own branded vehicles for its guest transport service. TFR also encourages guests to hire Tuk Tuk from the Tuk Tuk Association for short-distance travelling. During the year under review the Hotel encouraged them to conduct all hires to Galle and Matara from the Hotel. We further extended this to Balapitiya and have given all Madu River hires to the association.

	2017 / 2018	2016 / 2017
Number of hires given	2,340	2,134
Revenue distributed	Rs. 10,345,900/=	Rs. 9,505,299/=

Additionally, the Hotel also promotes other hires to Yala, Udawalawa and the Airport as well for budget guests through the Association.

Romance under the stars

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, prioritisation 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.

The risk and reviewing internal control is part of the Agenda of Board meetings which ensure 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 the 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. The risks that may have a catastrophic impact on the organisation, but may have a very low or zero probability of occurrence are referred to as core sustainability risks. They 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.

Indentified 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 organisational 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

The leisure industry in Sri Lanka was characterised by strong overall growth in tourist arrivals. This growth rate was static up to 2016. 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 2017 was the shift in global travel generating markets from the West to the East and internal clashes among European countries. Although a sharp depreciation of the Sri Lankan Rupee against the US Dollar took placed towards the end of the financial year 16/17 and is anticipated to continue throughout the financial year 17/18, the 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 overcapacity.	Reduction in market share and loss of revenue.	• The Company adopts a policy of refurbishing the hotel whenever necessary and refreshing the themes of Hotel's F&B offerings. • Considering the expansion options available at the moment through strategic new investments. • Innovating and trendsetting while benchmarking against global competition. • Obtained Good Manufacturing Process (GMP) Certificate from SLSI during the year.
Business risk		
The inability of the Hotel to achieve its business objectives.	Adverse impact on planned profitability and cash flow. Availability of affordable credit. Increase in operating and asset replacement costs due to fluctuation in exchange rates.	• Corporate plans are formulated on an annual basis and fare ormally 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 of the Hotel level. • Ongoing review of cost and expenditure by operational and finance staff to determine the appropriate revision of rates and tariffs.

Risk Management Contd.

Risk category and description	Potential impact	Control measures and action plans to mitigate risk.
Statutory and legal risk		
Implications that arise due to non-compliance with regulatory requirements. Risk of litigations from guests, customers, suppliers, associates and regulatory authorities.	Loss which may arise due to non-compliance with statutes. Enhanced incidence and potential exposure due to proposed legislation Loss arising from flawed contracts.	• Statutory returns, including taxes, are regularly monitored, reviewed and scrutinised 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.
Operational risk		
Demand		
The adverse impact on the Hotel's turnover due to over / under capacity and / or weak demand in traditional source markets.	Amplified negative impact on revenue streams during the off peak season. Lower room rates and lower growth prospects.	• 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 recognising and rewarding guests who frequently patronise the hotel. • Collaborating with the local tourism authorities to mitigate where appropriate, adverse media reports and canvassing the 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 the Hotel's revenues due to delaying projects.	Cost overruns and loss of earnings due to delays. Exposure to risk of repetitive nature.	• Establishing project timelines in consultation with all relevant parties. • Formal process established to cover project consultancy, project awards and material procurement. • Specialised teams monitor project progress and compliance with established sustainability guidelines. • Learning derived from mitigating risks identified during project implementation is documented for future reference.

Risk category and description	Potential impact	Control measures and action plans to mitigate risk.
Competition		
Competitive actions from industry peers and threat of new entrants.	Erosion of market share, lower occupancy and rates.	• 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 recognised quality standards. • Monitoring of customer service index reports on a regular basis to see whether there are any lapses in facilities of service areas.
Brand equity and reputation		
Any event that could undermine the brand equity and the reputation of the Hotel and/ or failure to sustain the appeal of the Hotel brand to its customers.	Decline in customer base, loss of market share, market penetration and ability to develop the business Inability to maintain room rate differentiation and competitive advantage Erosion in confidence may damage sustainability of the Hotel's business.	Although some factors are beyond our control, the Hotel adopts the following approaches to mitigate this risk. • 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. • The Hotel's operation is monitored against and guided by the Standard Operating procedures (SOP). • Continuous monitoring and review of online customer reviews and ratings.
Personnel		
The risk of losing highly skilled staff and key personnel due to industry growth or unsuitable labour.	Inability to maintain quality standards and meet guest expectations. Higher operational cost and loss of business.	• Identification of talent pool for succession planning. • Structured training arising from performance appraisal process. • Developing a spirit of unity by organising associate gatherings to celebrate staff birthdays, outings, sport days, family get-togethers and religious and cultural festivals • Recognising superior performance by presenting certificates and cash rewards to honour and reward associates.

Risk category and description	Potential impact	Control measures and action plans to mitigate risk.
Technology and data protection risk		
Failure to keep pace with developments in the technology could impair our competitive position and operations.	Adverse impact on efficiency of operations, guest satisfaction and loss of competitive advantage. Additional investment in new technologies/systems to remain competitive.	• 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 placed in line in case for any emergency situations. Developed plans are already submitted to the Internal Auditors for their review.
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.	• 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.	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, apart from financial lease facility with Bank of Ceylon.
Credit risk		
Exposure of default by debtors particularly oversees partners	Loss of profit and higher working capital requirements.	• Constant monitoring of trends in payment patterns. • Being alert to indicators of insolvency by keeping a 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 wherever possible. • Actively measuring trade debtor balances with collection targets and regular meeting to monitor and review efficiency of collection activities.

Risk category and description	Potential impact	Control measures and action plans to mitigate risk.
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.	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 remittances are channelled through FCBU accounts denominated in three major currencies (USD, EURO, GBP) to mitigate any possible risks on currency 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 the pleasure of 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 Summer Seasons Mirissa (Pvt) Ltd for the year ended 31st March 2018.

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.

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's 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 103 which are consistent with those of the previous year.

Directors

Directors of the Company

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

Executive Directors

Mr. J A S S Adhihetty - Managing Director
(Resigned w.e.f. 2/3/2018)
Mr. Jan P Van Twest - Director / General Manager

Non-Executive Directors

Mr Dhammika Perera - Chairman
(Alternate Director Ms. Kawshi Amarasinghe)
Mr. W A C J Wickramasinhe* - Director
Mr. Malik J Fernando - Director
Mr. Merril J Fernando - Director
Mr. S Senaratne* - Director
Mr. L T Samarawickrama - Deputy Chairman
(Alternate Director – Mr H Somasantha)
Mr. L N de S Wijeyeratne* - Director
Mr. D E Silva - Director
Mr. Chatura V Cabraal* - Director
Mr. K.D.H Perera - Managing Director
(w.e.f. 2/3/2018)

**Independent Non-Executive Directors*

During the year under review, Mr. J A S S Adhihetty resigned as Managing Director on 2nd March 2018 and Mr. K D H Perera was appointed as his successor. Mr. J A S S Adhihetty remains a member of the Board of Directors. Mr. Merril J Fernando was appointed as a Director at the previous Annual General Meeting held on 28th June 2017.

In terms of Article 84 of the Articles of Association, Messrs J A S S Adhihetty, L T Samarawickrema and W A C J Wickramasinghe retire by rotation and being eligible are being recommended by the Board for re-election at the forthcoming Annual General Meeting. Mr. K D H Perera who was appointed as Director during the year will hold office until the Annual General Meeting and being eligible, are recommended by the Directors for re-election in terms of Article 91 of the Articles of Association of the Company.

Mr. Merril 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. Merril J Fernando, who is 88 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	-	Director
Mr J A S S Adhihetty	-	Director
Mr Malik J Fernando	-	Director
Mr Merril 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 Summer Seasons Mirissa (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 an 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 subsidiaries 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 2018 amounted to Rs 1,108,866,840/- represented by 110,886,684 shares.

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

Directors' Shareholding

The relevant interests of Directors in the shares of the Company as at 31st March 2018 are as follows:

	Shareholding as at 31/03/2018	Shareholding as at 31/03/2017
Mr.Dhammika Perera	10,329,317	10,329,317
Mr. J A S S Adhihetty	13,741	13,741
Mr. K D H Perera	Nil	Nil
Mr.W A C J Wickramasinhe*	19,291	19,291
Mr. Malik J Fernando	833,333	833,333
Mr. Merril 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. Jan Van Twest	Nil	Nil
Mr. C V Cabraal*	Nil	Nil
Ms. Kawshi Aramasinghe *(Alternative Director to Mr. Dhammika Perera)*	Nil	Nil

* Independent Non-Executive Directors

Messrs Dhammika Perera, J A S S Adhihetty and L N de S Wijeyeratne are Directors of LB Finance PLC, which held 4,051,100 shares as at 31st March 2018.

Messrs Dhammika Perera is a Director of Royal Ceramics Lanka PLC which held 336,100 shares as at 31st March 2018.

Messrs Dhammika Perera and J A S S Adhihetty are Directors of Vallibel One PLC which held 19,977,345 as at 31st March 2018.

Messrs Merril J Fernando and Malik J Fernando are Directors of MJF Holdings Limited, which held 28,616,411 shares as at 31st March 2018

Mr. Dhammika Perera is also a Director of Vallibel Leisure (Private) Limited which held 24,417,932 shares as at 31st March 2018.

Major Shareholders, Distribution Schedule and Other Information

Information on the 20 largest shareholders, public holding, distribution of shareholding and ratios and market price information (as applicable) are given on pages 129, 130 and 131 .

Auditors

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

A sum of Rs. 210,000/= is payable by the Company to the Auditors as Audit Fees (Group – Rs 870,000/=)for the year under review.

The Auditors have also provided non-Audit services and the fee payable therefore amounts to Rs. 58,087/- (Group – Rs. 181,039/-) for the year under review.

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

Donations

The Company did not make any donations during the year under review. (The donations made by the subsidiary amounted to Rs. 196,751/=)

Dividend

The Directors recommend for the payment of a dividend of Rs. 1/- per share as the first and final dividend for the year ended 31st March 2018.

Property, Plant and Equipment

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

Material Foreseeable Risk Factors

Foreseeable risks that may materially impact the business are disclosed in the Chairman's review on page 10 and Risk Management Practices on page 56 to 61 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 Summer Seasons Mirissa (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 (AGM)

The Annual General Meeting will be held on 28th June, 2018 at 10.30 a.m. at the Auditorium of the L B Finance PLC, Corporate Office, No.20, Dharmapala Mawatha, Colombo 03

The notice of the Annual General Meeting appears on page 132.

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

Dhammika Perera
Chairman

K.D.H. Perera
Managing Director

Anusha Wijesekara
P W Corporate Secretarial (Pvt) Ltd
Secretaries

17 May 2018
Colombo

Corporate Governance

The Company aspires to adhere to best practice 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 (BOD)

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

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

Composition of the Board of Directors

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

The names of the Directors who served during the year under review are given on page 62.

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 K D H Perera serves as the Managing Director. Mr K D H Perera was appointed Managing Director with effect from 2nd March 2018 subsequent to Mr J A S S Adhihetty stepping down the position.

Tenure, Retirement and Re-election of Directors

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

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

Board Meetings

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

During the year ended 31st March 2018, four (04) meetings of the Board were held. The attendance at the meetings was:

Name of director	Executive/Non-executive/ Independent eon-Executive	Attendance
Mr. Dhammika Perera	Non-executive	04/04
Mr. J A S S Adhihetty	Non-executive	03/04
Mr. W A C J Wickramasinghe	Independent non-executive	01/04
Mr. L T Samarawickrama (Alternate Director: Mr Haresh Somasantha)	Non-executive	04/04
Mr. Malik J Fernando	Non-executive	00/04
Mr. Merril 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	03/04
Mr. Jan Peter Van Twest	Executive	04/04
Mr. Haresh Somashantha (Alternate Director to L T Samarawickrama)		00/04
Mr. C V Cabraal	Independent/Non-executive	03/04
Ms. Kawshie Amarasinghe (Alternate Director to Mr. Dhammika Perera		03/04
Mr. K D H Perera**	Executive	00/01

** Appointed w.e.f 02.03.2018

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, 2 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.

Corporate Governance Contd.

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 timeframes 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 78 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 Diri Savi Board of the Colombo Stock Exchange, the unaudited provisional quarterly statements of accounts are forwarded to the Colombo Stock Exchange in compliance with the Listing Rules of the Colombo Stock Exchange.

Auditors

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

Statutory Payments

All statutory payments due to the Government, which have fallen due, have been made or where relevant provided for. Retirement gratuities have been provided for in accordance with Sri Lanka Financial Reporting Standards (SLFRS).

By Order of the Board
The Fortress Resorts PLC

P W Corporate Secretarial (Pvt) Ltd
Director / Secretaries

17 May 2018

Compliance with Continuing Listing Rules - Check List

Compliant ⦿ Non-Compliant ○

Rule No	Subject	Applicable requirement	Compliance status	Applicable section in the Annual Report
7.10.1 (a)	Non-Executive Directors	At least one third of the total number of Directors should be Non-Executives.	⦿	Corporate Governance
7.10.2 (a)	Independent Directors	Two or one third of Non-Executive Directors which ever is higher should be independent.	⦿	Corporate Governance
7.10.2 (b)	Independent Directors	Each Non-Executive Director should submit a Declaration of Independence/Non Independence in the prescribed format.	⦿	Available with the Secretaries for review
7.10.3 (a)	Disclosure relating to Directors	The Board shall annually determine the independence or otherwise, non-independence. Names in the NIC should be disclosed in the Annual Report.	⦿	Corporate Governance
7.10.3 (b)	Disclosure relating to Directors	The basis for the Board to determine Directors as independent, if specified criteria for independence is not met.	⦿	Corporate Governance
7.10.3 (c)	Disclosure relating to Directors	A brief resume of each Director should be included in the Annual Report including the areas of expertise.	⦿	Board of Directors (Profile) Section in the AR.
7.10.3 (d)	Disclosure relating to Directors	Provide a brief resume of new Directors appointed to the Board with details specified in 7.10.3(a,b,c and d) to the CSE.	⦿	Corporate Governance and Board of Directors (profile) section in the AR.
7.10.5	Remuneration Committee	A Listed company shall have a Remuneration Committee.	⦿	Corporate Governance and the Remuneration Committee Report
7.10.5 (a)	Composition of Remuneration Committee.	Shall comprise of Non-Executive Directors, a majority of whom will be independent.	⦿	Corporate Governance and the Remuneration Committee Report
7.10.5 (b)	Functions of Remuneration Committee	The Remuneration Committee shall recommend the remuneration of Chief Executive Officer and Non-Executive Directors.	⦿	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.	⦿	Corporate Governance and the Remuneration Committee Report
7.10.6	Audit Committee	The company shall have an Audit Committee	⦿	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, majority of whom should be independent.	⦿	Corporate Governance and the Audit Committee Report.
		Non-Executive Directors shall be appointed as the Chairman of the Audit Committee.	⦿	
		Chief Executive Officer and the Chief Financial Officer should attend Audit Committee Meetings.	⦿	
		The Chairman of the Audit Committee or one member should be a member of a professional accounting body.	⦿	
7.10.6 (b)	Audit Committee Functions	Should be as outlined in the Section 7 of the listing rules.	⦿	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.	⦿	Corporate Governance and the Board Committee Reports and Audit Committee Report
		b) The Audit Committee shall determine independence of the Auditors and disclose for such determination.	⦿	
		c) The Annual Report shall contain a Report of the Audit Committee setting out of the manner of compliance of the functions.	⦿	

Code ref.	Subject	Applicable requirement	Adoption status	Applicable section in the Annual Report
A.1 DIRECTORS - The Board				
A.1.1	Frequency of Board Meetings.	The Board should meet regularly, at least once in every quarter.	⦿	Corporate Governance / AR of the BOD
A.1.2	Responsibilities of the Board.	Formulation and implementation of strategy.		Corporate Governance
		Skill adequacy of management and succession.		
		Integrity of information, internal controls and risk management.		
		Compliance with laws, regulations and ethical standards.		
		Code of Conduct.		
		Adoption of appropriate accounting policies.		
A.1.3	Access to professional advice.	Procedures to obtain independent, professional advice.	○	

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.	○	
		Procedure for Directors to access services of the Company Secretary.	⊙	
A.1.5	Independent Judgement	The Directors should exercise independent judgement on issues of strategy, resources , performance and standards of business judgement.	○	
A.1.6	Dedication of adequate time and effort by Directors	The Directors should devote adequate time and effort to discharge their responsibilities to the Company, satisfactorily.	○	
A.1.7	Training for Directors	The Directors should receive appropriate training, hone skills and expand knowledge to more effectively perform duties.	○	
A.2 DIRECTORS - Chairman and Chief Executive Officer				
A.2.	Division of responsibilities to ensure no individual has unfettered powers over decision making.	A balance of power and authority to be maintained by separating responsibility for conducting Board business from that of executive decision making	○	
A.3 DIRECTORS - Role of Chairman				
A.3	Ensure good corporate governance	The Chairman to preserve order and facilitate effective discharge of Board functions in the proper conduct of Board meetings.	⊙	Corporate Governance
A.4 DIRECTORS - Financial acumen				
A.4	Possession of adequate financial acumen	The Board to ensure adequacy of financial acumen and knowledge within the Board.	⊙	Corporate Governance
A.5 DIRECTORS - Board balance				
A.5.1	Composition of the Board.	The Board should include a sufficient number of Non-Executive Independent Directors.	⊙	Corporate Governance
A.5.2	Proportion of Independent Directors	Two or one-third of the Non-Executive Directors should be Independent.	⊙	Corporate Governance

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.	○	
A.5.4	Declaration of Independence	Non-Executive Directors should submit a signed and dated declaration of their Independence / Non-Independence	◉	Available with Company Secretary
A.5.5	Annual determination of criteria of Independence/Non-Independence and Declaration of same by the Board	The Board should annually determine and disclose the names of Directors deemed to be Independent.	◉	Corporate Governance
A.5.6	Appointment of senior Independent Director	If the roles of Chairman / CEO are combined, a Non-Executive should be appointed as a Senior Independent Director.	N / A	
A.5.7	Availability of Senior Independent Director to other Directors	If warranted, the SID should be available to the other Directors for confidential discussion.	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.	○	
A.5.9	Directors' concerns to be recorded.	When matters are not unanimously resolved, Directors to ensure their concerns are recorded in the Board minutes.	N / A	
A.6 DIRECTORS - Supply of information				
A.6.1	Provision of adequate information to Board	The Management is to ensure the Board is provided with timely and appropriate information.	◉	Corporate Governance
A.6.2	Adequacy of Notice and formal agenda to be discussed at board meetings	The Board minutes, agenda and papers should be circulated at least 7 days before the Board meeting.	◉	

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.	○	
A.7.2	Annual assessment of Board composition	Nomination Committee or the Board should annually assess the composition of the Board.	⦿	Corporate Governance
A.7.3	Disclosure of new Board appointments	Profiles of new Board appointments to be communicated to shareholders.	⦿	
A.8 DIRECTORS - Re-election				
A.8.1	Appointment of non-Executive Directors	Appointment of Non-Executive Directors should be for specified terms and re-election should not be automatic.	⦿	Corporate Governance / Annual Report of the Board of Directors
A.8.2	Shareholder approval of appointment of all Directors	The appointment of all Directors should be subject to election by shareholders at the first opportunity.	○	
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.	○	
A.9.2	Self evaluation of the Board and Board Committees.	The Board should evaluate its performance and that of its committees annually.	○	
A.9.3	Declaration of basis of performance evaluation.	The Board should disclose how performance evaluations have been carried out.	○	
A.10 DIRECTORS -Disclosure of information with respect to 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 the board/committee meetings.	⦿	Board of Directors , Corporate Governance / Audit Committee Report.
A.11 DIRECTORS - Appraisal of Chief Executive Officer				
A.11.1	Short, medium and long term, financial and non-financial objectives to be set.	The Board should set out the short, medium and long term, financial and non-financial objectives at the commencement of each year.	○	
A. 11.2	Evaluation of CEO performance	The performance of the CEO should be evaluated by the Board at the end of the year.	○	

Code ref.	Subject	Applicable requirement	Adoption status	Applicable section in the Annual Report
8.1 DIRECTORS REMUNERATION - Remuneration procedure				
8.1.1	Appointment of Remuneration Committee	Remuneration Committee of parent may function as such for the Company to make recommendations on Directors' remuneration.	⦿	
8.1.2	Composition of Remuneration Committee	The Board to appoint only Non-Executive Directors to serve on the Remuneration Committee.	⦿	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.	⦿	Corporate Governance
8.1.4	Remuneration of Non-Executive Directors	The Board is to determine the level of remuneration for Non-Executive Directors	○	
8.1.5	Access to professional advice	Remuneration Committee should have access to professional advice in order to determine appropriate remuneration for Executive Directors.	○	
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 the Remuneration Committee should be sensitive to that of other Group companies.	○	
8.2.4	Performance related elements of remuneration	Performance related elements of remuneration should be aligned with the interests of the Company.	⦿	
8.2.5	Share options	Executives should not be offered at a discount.	NA	
8.2.6	Remuneration packages for Non-Executive Directors	Should reflect time commitment and responsibilities of the role and be in line with existing market practice.	NA	
8.3 DIRECTORS REMUNERATION - Disclosure of remuneration				
8.3	Disclosure of details of remuneration.	The Annual Report should disclose the remuneration paid to Directors.	⦿	Financial Statements note 22.2.1

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

Corporate Governance Contd.

Code ref.	Subject	Applicable requirement	Adoption status	Applicable section in the Annual Report
D.1.3	Respective responsibilities of the Directors and Auditors	The Annual Report should contain separate statements setting out the responsibilities of the Directors for the preparation of the Financial Statements and the reporting responsibilities of the Auditors.	⦿	Respective responsibilities of Directors and Auditors
D.1.4	Management Discussion and Analysis	Annual Report to include section on Management Discussion and Analysis.	⦿	Management Discussion and Analysis
D.1.5	Going Concern	Directors to substantiate and report that the business is a going concern or qualify accordingly.	⦿	Annual Report of the Board of Directors
D.1.6	Serious Loss of Capital	Directors to summon an Extraordinary General Meeting in the event that the net assets of the Company fails below 50 % of the value of Shareholders Funds.	N / A	
D.2 ACCOUNTABILITY AND AUDIT - Internal Control				
D.2.1	Effectiveness of system of internal controls	Directors to annually conduct a review of the effectiveness of the system of internal controls. This responsibility may be delegated to the Audit Committee.	⦿	Audit Committee Report / Risk Management
D.3 AUDIT COMMITTEE				
D.3.1	Chairman and Composition of Audit Committee	Should comprise of a minimum of 2 Independent Non-Executive Directors.	⦿	Audit Committee Report
		Audit Committee Chairman should be appointed by the Board.		
D.3.2	Duties of Audit Committee	Should include	⦿	
		Review of scope and results of audit and its effectiveness.		Corporate Governance/ Audit Committee Report
		Independence and objectivity of the Auditors.		
D.3.3	Terms of Reference / Charter	The Audit Committee should have a written terms of reference which define the purpose of the Committee and its duties and responsibilities.	⦿	Corporate Governance/ Audit Committee Report
D.3.4	Disclosure	The Annual Report should disclose the names directors serving on the Audit Committee.	⦿	Corporate Governance / Audit Committee Report
		The Audit Committee should determine the independence of the Auditors and disclose the basis of such determination.	⦿	Corporate Governance
		The Annual Report should contain a report by the Audit Committee setting out the manner of the compliance of the Company during the period to which the report relates.	⦿	Audit Committee Report

Code ref.	Subject	Applicable requirement	Adoption status	Applicable section in the Annual Report
D.4 CODE OF BUSINESS CONDUCT AND ETHICS				
D.4.1	Adoption of Code of Business Conduct and Ethics	The Company must adopt a Code of Business Conduct and Ethics for Directors and members of the senior management team and promptly disclose any violation of the Code	○	
D.4.2	Chairman's affirmation	The Annual Report must include an afirmation by the Chairman that he is not aware of any violation of the Code of Business Conduct and Ethics	⊙	Chairman's Statement / Annual Report of the Board of Directors
D.5 CORPORATE GOVERNANCE DISCLOSURE				
D.5.1	Corporate Governance Report	The Annual Report should include a Report setting out the manner and extent to which the Company has adopted the principles and provisions of the Code of Best Practise on Corporate Governance.	⊙	Corporate Governance
E. INSTITUTIONAL 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.	⊙	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.	○	
F. OTHER INVESTORS - Investment / Divestment decisions				
F.1	Individual Investors	Individual shareholders should be encouraged to carry out adequate analysis and seek professional advice when making their investment / divestment decisions.	⊙	Corporate Governance
F.2.	Shareholder Voting	Individual shareholders should be encouraged to participate and exercise their voting rights.	⊙	Corporate Governance / Form of Proxy

Statement of Directors' Responsibilities

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

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

The Financial Statements presented in this Annual Report have been prepared using appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements 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 2018/2019, including cash flows and borrowing facilities, they are of the view that the Company has adequate resources to continue in operation and accordingly, have applied a going concern basis in preparing the Financial Statements.

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

By Order of the Board
The Fortress Resorts PLC

P W Corporate Secretarial (Pvt) Ltd
Secretaries

17 May 2018

Remuneration Committee Report

Composition

The remuneration committee consisted of three Non – Executive Directors, 2 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 meets as often as necessary to make recommendations on compensation structures and bonuses, increments and also on matters pertaining to recruitment of key management personnel 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 Directors and key management personnel. 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, prioritising business performance and long term shareholder return.

Directors' Remuneration

The total Directors' remuneration paid during the year under review is set out in Note 22.2.1 to the Financial Statements.

W A C J Wickramasinghe
Chairman
Remuneration Committee

17 May 2018

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 an 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 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 five members.
The members of the Board appointed Audit Committee are;

- Mr. L N De S Wijeyeratne - (Chairman)
- Mr. L T Samarawickrama - Member
- Mr. S Senaratne - Member
- Mr. C J Wickramasinghe - Member
- Mr. Malik J Fernando - Member

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 and Chief Financial Officer attend Audit Committee meetings by invitation. Outsourced Internal Auditors (BDO partners) are required to attend meetings on a regular basis. The Committee met 4 times during the financial year ended 31st March 2018.

Activities Performed

- Reviewed the activities and financial affairs of the Company and its Subsidiaries, 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 2019, subject to the approval of the shareholders at the next Annual General Meeting.

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

17 May 2018

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 S 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 four (04) meetings during the financial year to discuss matters relating to the Group. Attendance of the Members of the Committee was as follows.

	Meetings attended (out of 03)
Mr. L.N de S Wijeyeratne	04
Mr. J A S S Adhihetty	04
Mr. L T Samarawickrama	04

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 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.

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,

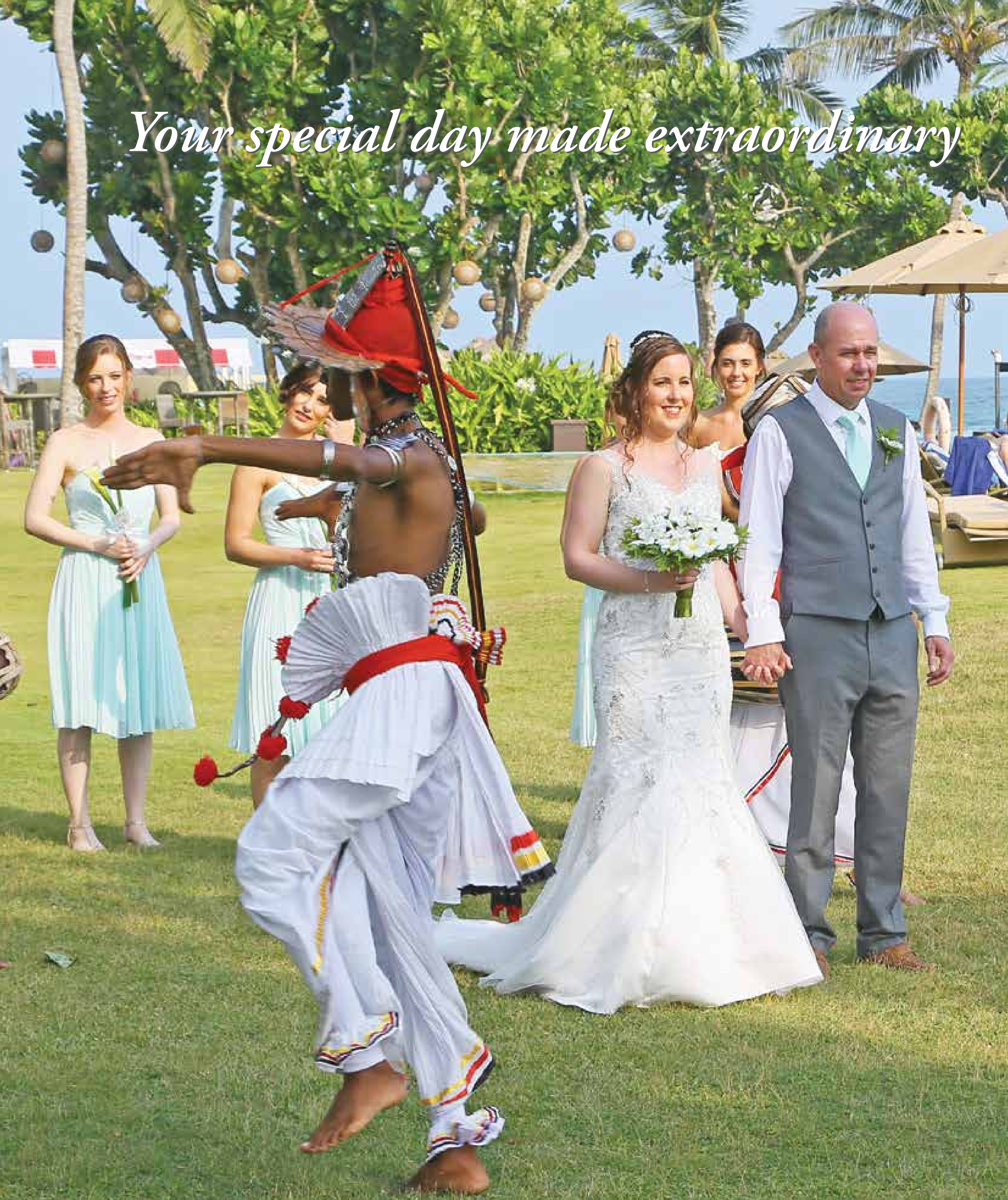
The Committee has criteria for designating the Fortress Group Key Management Personnel. Further, processes have been introduced to obtain annual disclosures from all Key Management Personnel so designated.

The Related Party Transactions of the Company for the period 01st April 2017 to 31st March 2018 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 S Wijeyeratne
Chairman
Related Party Transactions Review Committee

17 May 2018

Your special day made extraordinary



Financial Reports

Independent Auditors' Report

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

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

To the Shareholders of The Fortress Reports PLC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of The Fortress Resorts PLC ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group"), which comprise the statement of financial position as at 31 March 2018, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at 31 March 2018, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics) and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

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

Key Audit Matters to the Group

Key audit matter	How our audit addressed the key audit matter
Related party transactions and disclosures. The Group invest its excess funds mainly in short term financial products of the related parties. Group placed substantial amount of its investments in fixed deposits with related parties. Interest earned on fixed deposits for the year amounts to Rs 42,946,346/- while investments in fixed deposits held with related parties amounted to Rs. 452,927,126/- as at the reporting date. Due to the magnitude and the inherent risk associated with related party transactions and balances, we considered this as a key audit matter.	Our procedures in relation to related party transactions and disclosures included the following, among others: • We evaluated the appropriateness of management's process for identifying and recording related party transactions. • We inspected the fixed deposit certificates and confirmations to understand the nature, terms and conditions of the transactions. • Amounts disclosed in the financial statements were traced to the underlying documentation on a sample basis. • We performed analytical review procedures to evaluate the reasonability of interest income. • Throughout the performance of our audit procedures, we remained alert for any related party transactions outside the normal course of business. • We assessed the adequacy of the related disclosures given in note 22 to the financial statements.

Other Information Included in the 2018 Annual Report

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

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

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

Responsibilities of the Management And Those Charged with Governance

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

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls of the Company and the Group.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with ethical requirements in accordance with the Code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 2,440.

Ernst & Young

17 May 2018
Colombo

Statement of Profit or Loss and Other Comprehensive Income

Year ended 31st March	Note	Group 2018 Rs.	Group 2017 Rs.	Company 2018 Rs.	Company 2017 Rs.
Revenue	4	638,705,923	625,422,392	-	-
Cost of Sales		(199,913,529)	(191,738,064)	-	-
Gross Profit		438,792,394	433,684,328	-	-
Other Income and Gains	5	35,621,862	33,504,889	1,818,200	-
Selling and Marketing Expenses		(29,778,049)	(28,774,374)	-	-
Administrative Expenses		(312,809,942)	327,155,362	(5,328,643)	(5,964,265)
Finance Cost	6.1	(3,124,571)	(404,751)	-	-
Finance Income	6.2	44,310,612	52,096,323	-	-
Profit/(Loss) before Tax	7	173,012,305	162,951,054	(3,510,443)	(5,964,265)
Income Tax Expenses	8	(32,213,121)	(28,086,513)	-	-
Profit/(Loss) for the year		140,799,184	134,864,541	(3,510,443)	(5,964,265)
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	(282,376)	(1,184,459)	-	-
Income Tax Effect		39,533	142,135	-	-
Net other comprehensive loss not to be reclassified to profit or loss in subsequent periods		(242,843)	(1,042,324)	-	-
Other comprehensive loss for the year, net of tax		(242,843)	(1,042,324)	-	-
Total Comprehensive Income/(Loss) for the Year, net of tax		140,556,341	133,822,217	(3,510,443)	(5,964,265)
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/(Loss) per Share	9.1	1.27	1.22	(0.03)	(0.05)

The Accounting Policies and Notes on pages 93 to 126 form an integral part of these Financial Statements.

Statement of Financial Position

As at 31st March	Note	Group 2018 Rs.	Group 2017 Rs.	Company 2018 Rs.	Company 2017 Rs.
ASSETS					
Non-Current Assets					
Property, Plant and Equipment	10	1,371,562,679	1,358,190,948	-	-
Investments in Subsidiary	11	-	-	1,000,009,990	1,000,009,990
Intangible Assets	12	4,011,360	2,498,022	-	-
		1,375,574,039	1,360,688,970	1,000,009,990	1,000,009,990
Current Assets					
Inventories	14	21,755,480	23,383,546	-	-
Trade and Other Receivables	15	41,452,813	34,642,289	100,914,162	104,428,904
Advances and Prepayments		40,939,756	32,679,932	-	-
Short Term Deposits	16	463,800,311	318,760,703	-	-
Cash and Cash Equivalents	17	15,122,253	21,722,080	468,110	468,611
		583,070,613	431,188,550	101,382,272	104,897,515
Total Assets		1,958,644,652	1,791,877,520	1,101,392,262	1,104,907,505
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)		646,211,122	505,654,781	(8,223,872)	(4,713,429)
Equity attributable to Equity Holders of the Parent		1,755,077,962	1,614,521,621	1,100,642,968	1,104,153,411
Non Controlling Interest		1,000	1,000	-	-
Total Equity		1,755,078,962	1,614,522,621	1,100,642,968	1,104,153,411
Non-Current Liabilities					
Interest Bearing Loans and Borrowings	13.1	17,168,889	22,010,309	-	-
Retirement Benefit Obligation	19	14,505,038	12,331,875	-	-
Deferred Tax Liability	8.3	41,393,875	35,256,404	-	-
		73,067,802	69,598,588	-	-
Current Liabilities					
Trade and Other Payables	20	111,998,239	86,342,533	749,294	754,094
Income Tax Payables		13,658,226	10,115,486	-	-
Interest Bearing Loans and Borrowings	13.1	4,841,423	11,298,292	-	-
		130,497,888	107,756,311	749,294	754,094
Total Equity and Liabilities		1,958,644,652	1,791,877,520	1,101,392,262	1,104,907,505

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 Financial Statements. Signed for and on behalf of the Board by;

Director

Director

The Accounting Policies and Notes on pages 93 to 126 form an integral part of these Financial Statements.

17 May 2018
Colombo

Statement of Changes in Equity

Year ended 31st March	Attributable to the equity holders of the parent			
Group	**Stated Capital**	**Accumulated Profit**	**Non Controlling Interest**	**Total**
	Rs.	**Rs.**	**Rs.**	**Rs.**
Balance as at 01 April 2016	1,108,866,840	371,832,564	-	1,480,699,404
Investment in subsidiary	-	-	1,000	1,000
Profit for the year	-	134,864,541	-	134,864,541
Other Comprehensive Loss		(1,042,324)		(1,042,324)
Balance as at 31 March 2017	1,108,866,840	505,654,781	1,000	1,614,522,621
Profit for the year	-	140,799,184	-	140,799,184
Other Comprehensive Loss	-	(242,843)	-	(242,843)
Balance as at 31 March 2018	1,108,866,840	646,211,122	1,000	1,755,078,962

Company	**Stated Capital**	**Accumulated Profit/(Loss)**	**Total**
	Rs.	**Rs.**	**Rs.**
Balance as at 01 April 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
Loss for the year	-	(3,510,443)	(3,510,443)
Balance as at 31 March 2018	1,108,866,840	(8,223,872)	1,100,642,968

The Accounting Policies and Notes on pages 93 to 126 form an integral part of these Financial Statements.

Statement of Cash Flows

Year ended 31 March 2018	Note	Group 2018 Rs.	Group 2017 Rs.	Company 2018 Rs.	Company 2017 Rs.
Cash Flows from/(used in) Operating Activities					
Profit/(Loss) before Tax		173,012,305	162,951,054	(3,510,443)	(5,964,265)
Adjustments for					
Depreciation		73,172,503	100,870,861	-	-
Amortisation	12	1,049,009	2,053,050	-	-
Finance Cost	6.1	3,124,571	404,751	-	-
Finance Income	6.2	(44,310,612)	(52,096,323)	-	-
Dividend Income		-	-	(1,818,200)	-
Income Tax receivable write-off		-	137,474	-	137,474
Profit on Disposal of Property, Plant and Equipment		(7,740,207)	(4,952,866)	-	-
Provision for Defined Benefit Obligation		3,615,775	2,796,847	-	-
Operating Profit/(Loss) before Working Capital Changes		201,923,344	212,164,849	(5,328,643)	(5,826,791)
(Increase)/Decrease in Inventories		1,628,066	(4,405,532)		-
(Increase)/Decrease in Trade and Other Receivables and Prepayments		(15,070,348)	283,451	5,332,943	5,825,991
Increase/(Decrease) in Trade and Other Payables		25,655,706	190,790	(4,800)	500,894
Cash Generated from/(used in) Operations		214,136,768	208,233,557	(500)	500,094
Finance Cost paid	6.1	(3,124,571)	(404,751)	-	-
Defined Benefit Obligation paid	19	(1,724,988)	(2,053,602)	-	-
Income Tax paid		(22,493,378)	(41,751,983)	-	-
Net Cash from/(used in) Operating Activities		186,793,831	164,023,220	(500)	500,094

Statement of Cash Flows Contd.

Year ended 31 March 2018	Note	Group 2018 Rs.	Group 2017 Rs.	Company 2018 Rs.	Company 2017 Rs.
Cash Flows from/(used in) Investing Activities					
Investment in Subsidiary		-	5,459,837	-	-
Proceeds from Disposal of Property Plant and Equipment		10,853,271	6,335,195	-	-
Acquisition of Property, Plant and Equipment	10.4	(89,657,297)	(466,106,069)	-	-
Acquisition of Intangible Assets	12	(2,562,347)	(924,922)	-	-
Investment in Fixed deposits		(210,407,226)	(199,231,370)	-	-
Withdrawal of Fixed Deposits		70,000,000	365,000,000	-	-
Finance Income Received		39,678,230	43,335,619	-	-
Net Cash from/(used in) Investing Activities		(182,095,369)	(246,131,710)	-	-
Cash Flows from/(used in) Financing Activities					
Principal Payments under Finance Lease Liabilities	13.2	(4,058,228)	(3,405,933)	-	-
Net Cash from/(used in) Financing Activities		(4,058,228)	(3,405,933)	-	-
Net Increase/(Decrease) in Cash and Cash Equivalents		640,234	(85,514,423)	(500)	500,094
Cash and Cash Equivalents at the beginning of the year		14,482,019	99,996,441	468,611	(31,483)
Cash and Cash Equivalents at the end of the year	17	15,122,252	14,482,019	468,111	468,611

The Accounting Policies and Notes on pages 93 to 126 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 subsidiaries listed in note 2.2.2.1 to the Financial Statements.

The consolidated financial statements of The Fortress Resorts PLC and its subsidiaries (collectively, the Group) for the year ended 31 March 2018 were authorised for issue in accordance with a resolution of the directors on 17 May 2018.

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).

Comparative Information

The Accounting Policies have been consistently applied by the group and, are consistent with those used in the previous year.

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.

2.2.2 Basis of Consolidation

The consolidated Financial Statements comprise the Financial Statements of the Group and its subsidiaries as at 31 March 2018. 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	2018	2017
La Forteresse (Pvt) Limited	100%	100%
Summer Season Mirissa (Pvt) Ltd (Previously known as Alila Hotels and Resorts (Pvt) Ltd)	99.99%	99.99%

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

The Financial Statements of the subsidiaries are prepared in compliance with the Group's accounting policies.

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 12 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, food and beverage revenue

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

Interest income

For all financial instruments measured at amortised cost, interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the Statement of Profit or Loss.

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% (2016/17:12%) 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 Equipments	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, 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.

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.

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 Housekeeping and Maintenance and Other	- Weighted Average Basis

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

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

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

2.3.15 Post Employment Benefits

i) Defined Benefit Plan - Gratuity

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

The Group measures the present value of the promised retirement benefits of gratuity which is a defined benefit plan with the advice of an actuary every year using "Project Unit Credit Method". An actuarial valuation of the gratuity liability of the Company as at 31 March 2018 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 recognised 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. A detailed review is being carried out by the Group management considering all the contracts entered in to with travel agents, online bookings and walk in customers as of the reporting date.

(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.

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.53, 209,517/- (2017- Rs. 47,880,873/-). 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 2018 Rs.	Group 2017 Rs.	Company 2018 Rs.	Company 2017 Rs.
Revenue (Note 4.1)	638,705,923	625,422,392	-	-
	638,705,923	625,422,392	-	-

4.1 Revenue

	Group 2018 Rs.	Group 2017 Rs.	Company 2018 Rs.	Company 2017 Rs.
Room Revenue	399,761,169	386,137,572	-	-
Food Revenue	156,291,266	156,233,594	-	-
Beverage Revenue	58,982,507	58,439,870	-	-
Spa Revenue	23,670,981	24,611,357	-	-
	638,705,923	625,422,392	-	-

5. OTHER INCOME AND GAINS

	Group 2018 Rs.	Group 2017 Rs.	Company 2018 Rs.	Company 2017 Rs.
Laundry Income	3,901,410	3,985,001	-	-
Transport Income	3,465,341	3,201,378	-	-
Excursions Income	5,847,280	6,077,324	-	-
Boutique Income	2,747,260	3,109,976	-	-
Sundry Income	4,514,494	6,194,369	-	-
Rent Income	4,568,116	5,666,432	-	-
Dividend Income	-	-	1,818,200	-
Profit on Disposal Property, Plant and Equipment	7,740,207	4,952,866	-	-
Exchange Gains	2,837,754	317,543	-	-
	35,621,862	33,504,889	1,818,200	-

6. FINANCE COST AND INCOME

	Group		Company	
	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.
6.1 Finance Cost				
Interest Expense on Bank Overdrafts	47,576	41,838	-	-
Finance Charges on Lease Liabilities	3,076,996	362,913	-	-
	3,124,571	404,751	-	-
6.2 Finance Income				
Interest Income	44,310,612	52,096,323	-	-
	44,310,612	52,096,323	-	-

7. PROFIT BEFORE TAX

	Group		Company	
Stated after Charging	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.
Included in Cost of Sales				
Employees Benefits including the following	56,202,957	46,583,671	-	-
- Defined Benefit Plan Cost- Gratuity (included in Employee Benefits)	702,530	631,859	-	-
- Defined Contribution Plan Cost - EPF and ETF (included in Employee Benefits)	4,344,720	4,056,182	-	-
Depreciation	2,768,056	4,271,720	-	-

7. PROFIT BEFORE TAX Contd.

Stated after Charging	Group 2018 Rs.	Group 2017 Rs.	Company 2018 Rs.	Company 2017 Rs.
Included in Administrative Expense				
Employees Benefits including the following	101,080,960	95,610,468	-	-
- Defined Benefit Plan Cost - Gratuity (included in Employee Benefits)	2,824,224	2,164,988	-	-
- Defined Contribution Plan Cost - EPF and ETF (included in Employee Benefits)	9,198,967	8,132,968	-	-
Depreciation	70,403,047	96,599,141	-	-
Amortisation of Intangible Assets	1,049,009	2,053,050	-	-
Audit Fees	870,000	810,000	210,000	210,000
Charity and Donations	196,751	98,211	-	-
Land Rent	4,581,813	2,461,701	-	-
Included in Selling and Marketing Expenses			-	-
Advertising	12,060,571	8,904,756	-	-
Sales Promotion Expenses	10,840,303	12,782,462	-	-

8. INCOME TAX EXPENSE

The major components of Income Tax Expense for the year ended 31 March 2018 and 2017 are;

	Group		Company	
	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.
Statement of Profit or Loss				
Current Income Tax				
Current Income Tax Charge (Note 8.1)	25,896,198	27,531,080	-	-
Dividend Tax	181,820	-	-	-
Adjustments in respect of current income tax of previous year	(41,900)	2,170,597	-	-
	26,036,118	29,701,677	-	-
Deferred Tax				
Relating to origination and reversal of temporary differences (Note 8.2)	6,177,003	(1,615,165)	-	-
Income tax expense reported in the Statement of Profit or Loss	32,213,121	28,086,513	-	-
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	39,533	142,135	-	-
Deferred tax charged to OCI	39,533	142,135	-	-

Notes to The Financial Statements Contd.

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

	Group		Company	
	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.
Taxable Profit/(Loss) from Business				
Accounting Profit/(Loss) before Income Tax	173,012,305	162,951,054	(3,510,443)	(5,964,265)
Disallowed Items	88,699,770	114,780,364		-
Allowed Items	(104,991,243)	(117,767,512)		-
Exempted Profit	-	-	(1,818,200)	-
Interest Income	(44,310,612)	(52,096,323)		-
Taxable Profit/(Loss) from Business	112,410,220	107,867,583	(5,328,643)	(5,964,265)
Other Sources of Income				
Gross Interest Income	44,310,612	52,096,323	-	-
Taxable Other Income	44,310,612	52,096,323	-	-
Total Statutory Income	156,720,832	159,963,906	-	-
Total Taxable Income	156,720,832	159,963,906	-	-
Income Tax @ 12% (2017 @ 12%)	13,489,226	12,944,110	-	-
Income Tax @ 28% (2017 @ 28%)	12,406,971	14,586,970	-	-
Current Income Tax Charge	25,896,198	27,531,080	-	-

8.2 Tax Losses Utilised

	Group 2018 Rs.	Group 2017 Rs.	Company 2018 Rs.	Company 2017 Rs.
Tax Losses Brought Forward	47,880,873	47,880,873	47,880,873	47,880,873
Loss Incurred during the year	5,328,643	-	5,328,643	-
Tax Losses Carried Forward	53,209,516	47,880,873	53,209,516	47,880,873

La Forteresse (Private) Limited

The profit and income from business of La Forteresse (Private) Limited is liable for income tax as stated in Note 2.3.4 of these Financial Statements.

8.3 Deferred Tax - Group

	Statement of Financial Position		Statement of Profit/(Loss)	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
Deferred Tax Liability				
Capital Allowances for Tax purpose	43,424,580	36,736,229	6,688,351	(1,525,975)
	43,424,580	36,736,229	6,688,351	(1,525,975)
Deferred Tax Assets				
Retirement Benefit Obligation - Through Income Statement	(1,803,296)	(1,291,948)	(511,348)	(89,189)
Retirement Benefit Obligation - Through Other Comprehensive Income	(227,410)	(187,877)	-	-
	(2,030,705)	(1,479,825)	(511,348)	(89,189)
Deferred Taxation Charge/(Reversal)			6,177,003	(1,615,165)
Net Deferred Tax Liability	41,393,875	35,256,404		

8.3.1 Reconciliation of Deferred Tax Charge / (Reversal)

	2018	2017
Deferred Tax Charge reported in the Statement of Profit or Loss	6,177,003	(1,615,165)
Deferred Tax Charge reported in Other Comprehensive Income	(39,533)	(142,135)
	6,137,470	(1,757,300)

8.3.2 Inland Revenue Act No 24 of 2017 which has been legislated, the new tax rate of 14% (previously 12%) which will be applicable to the La Forteresse (Pvt) Ltd from 1 April 2018. Accordingly, the new rate of 14% has been applied for deferred tax computation for the year ended 31 March 2018 and as effect of the rate increase from 12% to 14%, the deferred tax liability has increased by Rs. 4,189,138/-.

8.3.3 The Fortress Resorts PLC has a tax loss amounting to Rs. 53,209,516/- (2017-Rs.47,880,873/-) 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. 7,449,332/- (2017-Rs.6,703,322/-) 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.

	Group		Company	
Amounts used as the Numerator	**2018 Rs.**	**2017 Rs.**	**2018 Rs.**	**2017 Rs.**
Profit/(loss) attributable to Ordinary Shareholders for Basic Earnings per Share	140,799,184	134,864,541	(3,510,443)	(5,964,265)

	Group		Company	
Number of Ordinary Shares Used as the Denominator	**2018 Number**	**2017 Number**	**2018 Number**	**2017 Number**
Weighted Average Number of Ordinary Shares applicable to Basic Earnings/(Loss) per Share	110,886,684	110,886,684	110,886,684	110,886,684
Earnings/(Loss) per Share (Rs.)	1.27	1.22	(0.03)	(0.05)

10. PROPERTY, PLANT AND EQUIPMENT - GROUP

10.1 Gross Carrying Amounts

Gross Carrying Amounts	Balance As at 01.04.2017 Rs.	Additions/ Transfers Rs.	Disposals/ Transfers Rs.	Balance As at 31.03.2018 Rs.
At Cost				
Land	359,631,000	-	-	359,631,000
Buildings on Leasehold Land				
- Hotel	920,502,665	19,439,792	-	939,942,457
- Administration	50,153,483	343,921	-	50,497,404
Plant and Equipment	18,761,749	-	(127,500)	18,634,249
Furniture and Fittings	146,123,147	29,034,205	(2,154,063)	173,003,289
Fixtures and Fittings	66,178,125	8,903,910	(274,060)	74,807,975
Computer Equipment	24,989,259	1,824,990	(55,625)	26,758,624
Telephone Equipment	1,942,443	1,116,437	(147,074)	2,911,805
Kitchen Equipment	52,559,064	1,439,529	(1,150,275)	52,848,318
Electrical Equipment	142,400,207	23,395,365	(3,122,685)	162,672,887
Linen and Furnishing	20,326,903	1,480,594	(2,938,664)	18,868,833
Cutlery and Crockery	12,021,875	817,223	(4,432,267)	8,406,830
Other Equipment	16,544,317	679,241	(665,000)	16,558,558
Air conditioners	12,449,591	842,090	(139,536)	13,152,145
Motor Vehicles	59,052,648	339,999	(16,008,082)	43,384,565
	1,903,636,475	89,657,297	(31,214,833)	1,962,078,939
Assets on Finance Leases				
Motor Vehicles	26,997,613	-	-	26,997,613
	26,997,613	-	-	26,997,613
Total Gross Carrying Amount	1,930,634,087	89,657,297	(31,214,833)	1,989,076,552

10.2 Depreciation

	Balance As at 01.04.2017 Rs.	Charge for the year/ Transfers Rs.	Disposals/ Transfers Rs.	Balance As at 31.03.2018 Rs.
At Cost				
Buildings on Leasehold Land				
- Hotel	160,936,758	27,584,322	-	188,521,080
- Administration	9,443,108	1,637,230	-	11,080,338
Plant and Equipment	16,708,836	295,108	(127,500)	16,876,444
Furniture and Fittings	102,030,236	7,490,092	(1,896,225)	107,624,103
Fixtures and Fittings	35,270,118	4,722,211	(242,730)	39,749,599
Computer Equipment	16,558,572	3,042,465	(27,625)	19,573,412
Telephone Equipment	1,844,418	188,370	(147,074)	1,885,713
Kitchen Equipment	48,242,963	2,239,191	(1,151,639)	49,330,515
Electrical Equipment	102,569,476	7,553,400	(1,638,422)	108,484,454
Linen and Furnishing	7,419,914	4,504,426	(1,781,689)	10,142,650
Cutlery and Crockery	10,781,888	530,265	(4,276,245)	7,035,907
Other Equipment	15,233,036	790,990	(665,000)	15,359,026
Air conditioners	7,651,539	1,022,647	(139,536)	8,534,650
Motor Vehicles	37,098,379	3,724,987	(16,008,082)	24,815,284
	571,789,239	65,325,705	(28,101,769)	609,013,175
Assets on Finance Leases				
Motor Vehicles	653,900	7,846,798	-	8,500,698
	653,900	7,846,798	-	8,500,698
Total Depreciation	572,443,139	73,172,503	(28,101,769)	617,513,873

10.3 *Net Book Values*

	2018 Rs.	2017 Rs.
At Cost		
Land	359,631,000	359,631,000
Buildings on Leasehold Land		
- Hotel	751,421,377	759,565,907
- Administration	39,417,066	40,710,375
Plant and Equipment	1,757,804	2,052,913
Furniture and Fittings	65,379,186	44,092,911
Fixtures and Fittings	35,058,376	30,908,007
Computer Equipment	7,185,212	8,430,688
Telephone Equipment	1,026,092	98,025
Kitchen Equipment	3,517,803	4,316,101
Electrical Equipment	54,188,433	39,830,731
Linen and Furnishing	8,726,183	12,906,989
Cutlery and Crockery	1,370,923	1,239,987
Other Equipment	1,199,532	1,311,281
Air conditioners	4,617,494	4,798,051
Motor Vehicles	18,569,282	21,954,269
	1,353,065,764	1,331,847,236
Assets on Finance Leases		
Motor Vehicles	18,496,915	26,343,713
Total Carrying Amount of Property, Plant and Equipment	1,371,562,679	1,358,190,948

10.4 During the financial year, the Group acquired property, plant and equipment to the aggregate value of Rs. 89,657,297/- (2017-Rs. 406,106,069/-). Cash payments amounting to Rs. 89,657,297/-/- (2017-Rs. 406,106,069/-) 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/- (2017-Rs.1,558,908/-) and Rs.631,615/- (2017-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/- (2017-Rs.412,000/-) per annum.

11. INVESTMENT IN SUBSIDIARY - COMPANY

11.1 Non-Quoted Investments

			Cost	
	2018	2017	2018	2017
	%	%	Rs.	Rs.
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

12.1 Cost

	Balance As at 01.04.2017 Rs.	Additions Rs.	Disposals Rs.	Balance As at 31.03.2018 Rs.
Computer Software	10,698,891	2,562,347	-	13,261,238
	10,698,891	2,562,347	-	13,261,238

12.2 Amortisation

Computer Software	8,200,869	1,049,009	-	9,249,878
	8,200,869	1,049,009	-	9,249,878

12.3 Net Book Values

	2018 Rs.	2017 Rs.
Computer Software	4,011,360	2,498,022

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	
	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.
Current Interest Bearing Loans and Borrowings				
Bank Overdrafts (Note 17)	-	7,240,061	-	-
Obligation Under the Financial Lease (Note 13.2)	4,841,423	4,058,231	-	-
Total Current Interest Bearing Loans and Borrowings	4,841,423	11,298,292	-	-
Non Current Interest Bearing Loans and Borrowings				
Obligation Under the Financial Lease (Note 13.2)	17,168,889	22,010,309	-	-
Total Non Current Interest Bearing Loans and Borrowings	17,168,889	22,010,309	-	-

13.2 Finance Leases

	Balance As at 01.04.2017 Rs.	New Leases Obtained Rs.	Repayments Rs.	Balance As at 31.03.2018 Rs.
Bank of Ceylon	34,486,901	-	(7,135,209)	27,351,692
Gross Liability	34,486,901	-	(7,135,209)	27,351,692
Finance Charges allocated to Future periods	(8,418,361)	-	3,076,981	(5,341,380)
Net Liability	26,068,540	-	4,058,228	22,010,312

13.2 Finance Leases Contd.

	2018 Rs.	2017 Rs.
Current	4,841,423	4,058,231
Non Current	17,168,889	22,010,309
Total	22,010,312	26,068,540

* 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.

14. INVENTORIES - GROUP

	2018 Rs.	2017 Rs.
Food and Beverages	8,271,120	7,218,461
House Keeping and Maintenance	9,369,252	11,756,374
Stationary, Consumables and Others	4,115,107	4,408,711
	21,755,480	23,383,546

15. TRADE AND OTHER RECEIVABLES - GROUP

	Group		Company	
	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.
Trade Receivables	41,452,813	34,132,064	-	-
Other Receivables				
- Related Parties (Note 15.1)	-	-	100,914,162	104,428,904
- Other	-	510,225	-	-
	41,452,813	34,642,289	100,914,162	104,428,904

15. TRADE AND OTHER RECEIVABLES - GROUP Contd.

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

	Total	Neither past	Past due but not impaired				
		due or nor	< 30	31 - 60	61 - 90	91 - 120	> 120
		Impaired	days	days	days	days	days
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
2018	41,452,813	40,674,178	791,135	-	-	-	-
2017	34,642,289	31,708,668	2,729,625	7,525	196,471	-	-

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	2018 Rs.	2017 Rs.
La Forteresse (Private) Limited	Subsidiary Company	100,914,162	104,428,904

16. SHORT TERM DEPOSITS - GROUP

	2018 Rs.	2017 Rs.
Investments in Fixed Deposits	463,800,311	318,760,703

17. CASH AND CASH EQUIVALENTS IN THE CASH FLOW STATEMENT

	Group		Company	
Components of Cash and Cash Equivalents	**2018 Rs.**	**2017 Rs.**	**2018 Rs.**	**2017 Rs.**
Favourable Cash and Cash Equivalent Balances				
Cash and Bank Balances	8,010,453	6,722,080	468,110	468,611
Short term deposits with 3 months or before maturity	7,111,800	15,000,000	-	-
	15,122,253	21,722,080	468,110	468,611
Unfavourable Cash and Cash Equivalent Balances				
Bank Overdraft	-	(7,240,061)	-	-
Total Cash and Cash Equivalents for the Purpose of Cash Flow Statement	15,122,253	14,482,019	468,110	468,611

18. STATED CAPITAL - COMPANY/ GROUP

	2018		2017	
	Number	**Rs.**	**Number**	**Rs.**
Fully paid Ordinary Shares	110,886,684	1,108,866,840	110,886,684	1,108,866,840
	110,886,684	1,108,866,840	110,886,684	1,108,866,840

19. RETIREMENT BENEFIT OBLIGATION - GROUP

	2018 Rs.	2017 Rs.
Defined Benefit Obligation - Gratuity		
Balance at 1 April 2017	12,331,875	10,404,171
Current Service Cost	2,125,268	936,375
Interest Cost	1,490,507	1,860,472
Actuarial Loss	282,376	1,184,459
Benefits paid	(1,724,988)	(2,053,602)
Balance at 31 March 2018	14,505,038	12,331,875

The expenses are recognised in the following line items in the Statement of Profit and Loss and Other Comprehensive Income

	2018 Rs.	2017 Rs.
Cost of Sales	702,530	631,859
Administrative Expenses	2,913,245	2,164,988
Other Comprehensive Income	282,376	1,184,459
	3,898,151	3,981,306

19.1 The defined benefit obligation of the Group is based on the Messrs. 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,

	2018	2017
Discount Rate	11%	12%
Future Salary Increment Rate	8%	8%

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.
2018				
Change in Present value of Defined Benefit Obligation	922,451	(842,513)	(757,819)	842,057
2017				
Change in Present value of Defined Benefit Obligation	811,857	(573,277)	(500,267)	741,454

19.4 The average duration of the defined benefit plan obligation at the end of the reporting period is 7 years (2017 - 9 Years).

20. TRADE AND OTHER PAYABLES

	Group		Company	
	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.
Trade Creditors	32,268,393	28,573,142	-	-
Other Payables	72,659,047	53,549,153	-	43,200
Accrued Expenses	7,070,799	4,220,238	749,294	710,894
	111,998,239	86,342,533	749,294	754,094

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 extending 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 5 year intervals as per the agreement. The Hotel service building is situated on a land that belongs to BOI and entered into a similar agreement with them starting from 28 January 2005 and ends on 27 January 2035. Rentals are prefixed for the entire period and paid annually.

	2018 Rs.	2017 Rs.
Within one year	2,236,642	2,212,485
After one year but not more than five years	11,318,735	11,318,735
More than five years	25,834,418	28,095,218
	39,389,795	41,626,437

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:

	2018		2017	
	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	4,841,423	7,135,224	4,058,231
After one year but not more than five years	20,216,468	17,168,889	27,351,677	22,010,309
Total minimum lease payments	27,351,692	22,010,312	34,486,901	26,068,540
Less amounts representing finance charges	(5,341,380)	-	(8,418,361)	-
Present value of minimum lease payments	22,010,312	22,010,312	26,068,540	26,068,540

22. RELATED PARTY DISCLOSURES

Details of significant related party disclosures are as follows:

22.1 Transactions with the Parent and Related Entities

	Subsidiaries	
	2018 Rs.	2017 Rs.
As at 1 April	104,428,905	110,254,895
Recurring related party transactions		
Expenses Incurred on behalf of the Company	(5,332,943)	(5,825,990)
Dividends	1,818,200	-
As at 31 March	100,914,162	104,428,905
Included in		
Trade and Other Receivables	100,914,162	104,428,905

Subsidiaries : La Forteresse (Private) Limited and Summer Season (Private) Limited

22.2 Transactions with Key Management Personnel of the Company

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

22.2.1 Compensation of Key Management Personnel

Nature of transaction	2018 Rs.	2017 Rs.
Short Term Employment Benefits	14,610,000	14,640,000

22.3 Other Related Parties Disclosures

Transactions with the parties/entities in which Key Management Personnel or their close family members have control or joint control.

Related Party	Nature	Terms	2018 Rs.	2017 Rs.
LB Finance PLC	Investment in Fixed Deposits	Market Terms	15,000,000	80,000,000
	Withdrawal of Fixed Deposits	Market Terms	50,000,000	65,000,000
	Interest Income	Market Terms	9,512,328	5,739,726
	Balance as at 31 March		67,481,233	102,681,027
Vallibel Finance PLC	Investment in Fixed Deposits	Market Terms	159,820,623	60,000,000
	Withdrawal of Fixed Deposits	Market Terms	10,000,000	300,000,000
	Interest Income	Market Terms	33,434,018	46,356,597
	Balance as at 31 March		385,445,622	231,079,676

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

23. EVENT OCCURING 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.

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 4 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 2018 and 2017.

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

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES Contd.

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.

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
2018	+/- 5%	+/- 385,025	+/- 338,822
2017	+/- 5%	+/- 387,838	+/- 341,297

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 2018, the Group had 8 customers (2017: 9 customers) that owed the Group more than Rs 1 Million each and accounted for approximately 80% (2017: 80%) 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

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.

Year ended 31 March 2018	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
	Rs.	Rs.	Rs.	Rs.	Rs.
Finance Leases	-	1,783,806	5,351,418	20,216,468	27,351,692
Trade and other payables	-	111,998,239	-	-	111,998,239
	-	113,782,045	5,351,418	20,216,468	139,349,931

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

Capital management

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

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence to sustain future development of the business. The group's objectives when managing capital are to;

i. Safeguard their ability to continue as a going concern, so that they can continue to provide returns to shareholders and benefits for other stakeholders, and

ii. Maintain an optimal capital structure to reduce the cost of capital.
Management monitors the return on capital , as well as the level of dividends to ordinary shareholders.

The Group monitors capital using a gearing ratio, which is net debt divided by total equity plus net debt. The Group's policy is to keep the gearing ratio at minimum level. The Group includes within net debt, bank overdraft, trade and other payables, less cash and cash equivalents.

	2018 Rs.	2017 Rs.
Interest-bearing loans and borrowings (Note 13.1)	22,010,312	33,308,601
Trade and other payables (Note 20)	111,998,239	86,342,533
Less: cash and short-term deposits (Note 16 and 17)	(15,122,253)	(21,722,080)
Net debt	118,886,298	97,929,054
Equity	1,755,078,962	1,614,522,621
Total capital	1,755,078,962	1,614,521,620
Capital and net debt	1,873,965,260	1,712,450,674
Gearing ratio	6%	6%

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2018 and 2017.

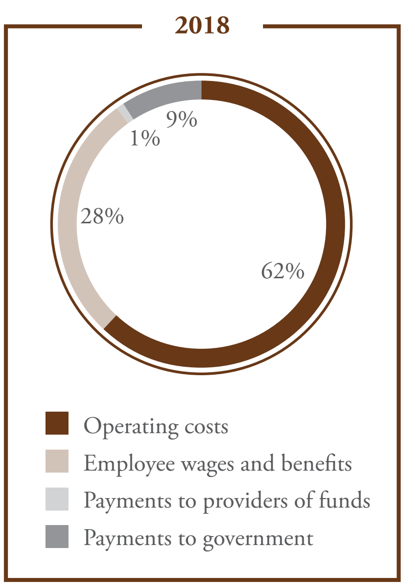
Ten Year Summery - Group

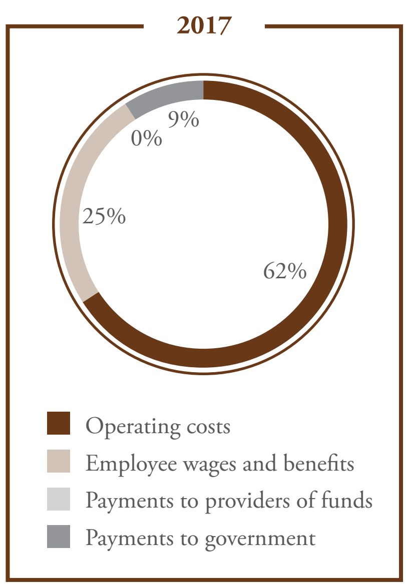
(Figures in Rs. 000 unless otherwise tsated)

Year Ended 31 st March	2008/ 2009	2009/ 2010	2010/ 2011	2011/ 2012	2012/ 2013	2013/ 2014	2014/ 2015	2015/ 2016	2016/ 2017	2017/ 2018
TRADING RESULTS										
Turnover (Gross)	251,756	284,236	416,345	464,306	577,724	650,526	686,977	672,479	625,422	638,706
Profit / (Loss) from operations	54,293	118,284	248,009	242,303	321,759	350,498	342,861	353,584	266,280	250,358
Depreciation and Amortisation	90,424	98,972	86,950	73,529	107,601	104,259	106,006	106,006	102,924	74,221
Interest	101,859	94,826	75,027	49,521	52,445	39,244	2,795	1,126	405	3,125
Profit / (Loss) before Tax	(137,990)	(75,514)	86,032	119,254	161,713	206,995	234,060	246,452	162,951	173,012
STATED CAPITAL and 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	(621,510)	(688,407)	(604,009)	(484,993)	(70,785)	105,893	295,300	371,832	505,655	646,211
Other Reserves	136,382	124,373	124,373	124,373	-	-	-	-	-	-
Shareholders' Funds / Net Assets	623,739	544,833	629,231	748,247	1,038,082	1,214,760	1,404,167	1,480,699	1,614,522	1,755,079
Long Term Loans / Deferred Liabilities	655,870	651,453	492,963	359,832	324,000	45,000	-	-	33,298	22,010
Capital Employed	1,279,609	1,196,286	1,122,194	1,108,079	1,362,082	1,259,760	1,404,167	1,480,699	1,647,820	1,777,089
ASSETS EMPLOYED										
Current Assets	128,535	123,225	86,247	148,523	304,569	287,758	487,051	666,594	431,189	583,071
Current Liabilities	86,886	70,501	60,781	120,826	126,420	137,295	88,955	110,753	107,756	130,498
Working Capital	41,649	52,724	25,466	27,697	178,149	150,463	398,096	555,841	323,433	452,573
Fixed Assets	1,240,932	1,146,187	1,100,504	1,084,262	1,186,146	1,109,437	1,047,266	972,276	1,360,689	1,375,574
Capital Employed	1,282,581	1,198,911	1,125,970	1,111,959	1,364,295	1,259,900	1,445,362	1,528,117	1,684,122	1,828,147
RATIO and STATISTICS										
Gearing	51%	54%	44%	32%	24%	4%	-	-	2%	1%
Current Ratio (times)	1.48	1.75	1.42	1.23	2.41	2.10	5.48	6.02	4.00	4.47
Earnings Per Share (Rs.)	(1.25)	(0.71)	0.76	1.07	1.39	1.59	1.71	1.69	1.22	1.27
Net Assets Per Share	5.63	4.91	5.67	6.75	9.36	10.95	12.66	13.35	14.56	15.83
Return On Capital Employed (ROCE)	-11%	-7%	8%	11%	12%	16%	17%	16%	10%	8%
Return On Equity	-22%	-14%	14%	16%	16%	17%	17%	17%	10%	8%
Debt to Total Assets	48%	51%	42%	29%	22%	3%	-	-	2%	1%
Interest Cover (times)	(0.35)	0.20	2.15	3.41	4.08	6.27	85	220	402	55
Earnings Before Interest and Tax (EBIT)	(36,131)	19,312	161,059	168,774	214,158	246,239	236,855	247,578	163,356	176,137
Asset Turnover	20%	25%	38%	43%	49%	59%	66%	69%	46%	35%

Value Added Statement

	2018 Rs. 000	2017 Rs. 000
Direct economic value generated		
Revenue (including other income)	674,328	658,927
Finance income	44,310	52,096
Proceeds from sale of Property , Plant and Equipment	10,853	6,335
	729,491	717,358
Economic Value distributed		
Operating costs	371,389	380,909
Employee wages and benefits	171,112	142,194
Payments to providers of funds	3,125	405
Payments to government	57,023	54,266
	602,649	577,774
Economic value retained	126,842	139,584





Shareholder Information

20 Major Shareholders of the Company

As at		31st March 2018		31st March 2017	
		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 Merril J. Fernando	2,124,400	1.916	2,124,400	1.916
7	Freudenberg Shipping Agencies Limited	1,579,401	1.424	1,047,658	0.945
8	Bank of Ceylon No. 1 Account	1,461,100	1.318	1,461,100	1.318
9	Seylan Bank PLC/Jayantha Dewage	1,441,400	1.300	1,441,400	1.300
10	Mrs N.U.D. Ariyaratna	843,483	0.761	843,483	0.761
11	Mr Malik J. Fernando	833,333	0.752	833,333	0.752
12	Mr D.C. Fernando	833,333	0.752	833,333	0.752
13	Mr A.P.L. Fernando	775,861	0.700	493,660	0.445
14	Seylan Bank PLC./Bertram Manson Amarasekara	550,000	0.496	550,000	0.496
15	Anverally and Sons (Pvt) Ltd A/C No 01	373,810	0.337	323,884	0.292
16	Motor Service Station (Private) Ltd	350,978	0.317	340,932	0.307
17	Royal Ceramics Lanka PLC.	336,100	0.303	336,100	0.303
18	Acuity Partners (Pvt) Limited/ Mr Arumapurage Peter Lasantha Fernando	297,760	0.269	297,760	0.269
19	Seylan Bank PLC/A.M. Nimesha Anuruddha Abeykoon	294,451	0.266	294,451	0.266
20	National Development Bank PLC./Sakuvi Investment Trust (Pvt) Ltd	284,166	0.256	284,166	0.256
		99,771,681	89.976	98,897,765	89.19
	Others	11,115,003	10.024	11,988,919	10.81
	Total	110,886,684	100.000	110,886,684	100.00

Shareholder Information Contd.

Share Distribution
Shareholding As At 31St March 2018

From	To	No of Holders	No of Shares	%
1	1,000	1,265	463,951	0.42
1,001	10,000	643	2,408,010	2.17
10,001	100,000	185	5,113,099	4.61
100,001	1,000,000	30	8,903,218	8.03
Over 1,000,000		9	93,998,406	84.77
		2,132	110,886,684	100.00

CATEGORIES OF SHAREHOLDERS

Local Individuals	1,975	24,666,186	22.24
Local Institutions	133	85,984,427	77.54
Foreign Individuals	24	236,071	0.21
Foreign Institutions	-	-	-
	2,132	110,886,684	100.00

Directors' and CEO's Shareholding as at 31St March 2018

	No. of Shares	%
Mr. Dhammika Perera	10,329,317	9.315
Mr. J A S S Adhihetty (Resigned as Managing Director w.e.f. 02.03 2018 but will remain as a Director)	13,741	0.012
Mr. W A C J Wickramasinhe	19,291	0.017
Mr. Malik J Fernando	833,333	0.752
Mr. Merril J Fernando	2,124,400	1.916
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. K D H Perera (Appointed as Managing Director w .e. f. 02.03.2018)	NIL	0.000

Share Prices for the Year

	As at 31/03/2018	As at 31/03/2017
Market price per share		
Highest during the year	Rs. 14.80 (17-01-2018)	Rs. 17.20 (19-05-2016)
Lowest during the year	Rs. 9.00 (26-12-2017)	Rs. 11.50 (22-02-2017)
	Rs. 9.00 (25-01-2018)	Rs. 11.50 (06-04-2016)
As at end of the year	Rs. 10.50	Rs. 11.60

Public Holding

The Public Holding percentage – 18.172 %

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Thirty Fourth (34th) 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 2018 at 10.30 a.m. for the following purposes :

1. To receive and consider the Annual Report of the Board of Directors on the affairs of the Company and its subsidiaries and the Statement of Accounts for the year ended 31st March 2018 with the Report of the Auditors thereon.
2. To pass the ordinary resolution set out below to re-appoint Mr. Merril J Fernando, who is 88 years of age, as a Director of the Company.

   "IT IS HEREBY RESOLVED that Mr Merril J Fernando who has attained the age of 88 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. J A S S Adhihetty 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. L T Samarawickrema 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. W A C J Wickramasinhe 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-elect Mr. K D H Perera who retires pursuant to the provision of Articles 91 of the Articles of Association of the Company as a Director.
7. To re-appoint Messrs Ernst & Young, Chartered Accountants, as the Auditors of the Company and to authorize the Directors to fix their remuneration.
8. To authorize the Directors to determine donations for the year ending 31st March 2019 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
17th May, 2018

Notes
1. A Shareholder entitled to attend and vote at the meeting is entitled to appoint a proxy to attend, speak and vote on behalf of him/her.
2. A proxy need not be a Shareholder of the Company.
3. The Form of Proxy is enclosed for this purpose.
4. The completed Form of Proxy must be deposited at the Office of the Secretaries, No.3/17, Kynsey Road, Colombo 8, by 10.30 a.m. on 26th June 2018

Notes

Notes

Form of Proxy

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

Mr. Dhammika Perera	or failing him*
Mr. J A S S Adhihetty	or failing him*
Mr W A C J Wickramasinhe	or failing him*
Mr Malik J Fernando	or failing him*
Mr Merril J Fernando	or failing him*
Mr. S Senaratne	or failing him*
Mr. L T Samarawickrama	or failing him*
Mr. L N De S Wijeyeratne	or failing him*
Mr. Denesh E Silva	or failing him*
Mr. Jan P Van Twest	or failing him*
Mr. Chatura V Cabraal	or failing him*
Mr. K D H Perera	

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 2018 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 2018 with the Report of the Auditors thereon.		
2)	To re-appoint Mr. Merril J Fernando who is 88 years of age, as a Director of the Company pursuant to the provisions of the Companies Act No.7 of 2007.		
3)	To re-elect Mr. J A S S Adhihetty, who retires in terms of Article 84 of the Articles of Association as a Director of the Company		
4)	To re-elect Mr. L T Samarawickrema, who retires in terms of Article 84 of the Articles of Association as a Director of the Company		
5)	To re-elect Mr. W A C J Wickramasinhe, who retires in terms of Article 84 of the Articles of Association as a Director of the Company		
6)	To re-elect Mr. K D H Perera who retires pursuant to the provision of Articles 91 of the Articles of Association of the Company as a Director.		
7)	To re-appoint Messrs Ernst & Young as Auditors and to authorise the Directors to determine their remuneration		
8)	To authorize the Directors to determine donations for the year ending 31st March 2019 and up to the date of the next Annual General Meeting.		

In witness my/our* hands this …………day of ……………Two Thousand and Eighteen.

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

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

INSTRUCTIONS AS TO COMPLETION

1. Kindly perfect the form of proxy by filling in legibly your full name address, by signing in the space provided. Please fill the date of signature.
2. The completed Form of Proxy should be deposited at the Office of the Secretaries, P W Corporate Secretarial (Pvt) Ltd, No.3/17, Kynsey Road, Colombo 08, Sri Lanka by 10.30 a.m. on 26th June 2018.
3. If you wish to appoint a person other than the Chairman or a Director of the Company as your proxy please insert the relevant details in the space provided (above the names of the Board of Directors) on the Proxy Form.
4. If the Form of Proxy is signed by an Attorney, the relative Power of Attorney should accompany the Form of Proxy for registration if such Power of Attorney has not already been registered with the Company.
5. If the appointer is a company / incorporated body this Form must be executed in accordance with the Articles of Association / Statute.

Corporate Information

Name of the Company

The Fortress Resorts PLC

Company Registration No

PQ 207

Legal Form

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

Registered Office

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

Board Of Directors

Mr. Dhammika Perera (Chairman)
(Alternate Director Ms.A A K Amarasinghe)
Mr. J A S S Adhihetty
(Resigned as Managing Director w.e.f 02.03.2018 but will remain as a Director)
Mr. Malik J Fernando
Mr. Merril J Fernando
Mr. W A C J Wickramasinghe
Mr. S Senaratne
Mr. L T Samarawickrama (Deputy Chairman)
(Alternate Director Mr.H Somashantha)
Mr.D E Silva
Mr. L N De Silva Wijeyeratne
Mr.Jan Peter Van Twest
Mr.C V Cabraal
Mr.K D H Perera
(Appointed as Managing Director w.e.f 02.03.2018)

Subsidiary Companies

La Forteresse (Private) Limited
Summer Season Mirissa (Pvt) Ltd (Previously Known as Alila Hotels and Resorts (Pvt) Ltd.

Hotel The Fortress Resorts and 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

Concept & Designed by
Copyline a great equation
Printed by Printel (Pvt) Ltd

THE FORTRESS RESORT & SPA

SRI LANKA

www.thefortress.lk