



Above Distinction

THE FORTRESS RESORT PLC - ANNUAL REPORT 2018/19





ABOVE DISTINCTION

While the political turmoil which emerged in the year under review negatively affected the industry as a whole, we rose through the storm to record yet another year of profit and growth. The year was defined by improvement and quality as we not only made improvements in delivering more luxury to our guests, but also attained the Green Globe Certification, an internationally renowned standard that gives us the edge when it comes to sustainability and the betterment of the environment in which we operate. All in all, we did not falter in delivering unforgettable experiences for our guests while upholding the high standards of service and hospitality for which we are renowned.

We are above distinction in all we do.

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AWARDS AND RECOGNITION



Gold Circle Award winner 2018

Guest Review Awards 2018
Achieved 9.1 out of 10

Traveller's Choice Award Winner of Top 25
Hotels – Sri Lanka (7th)
Traveller's Choice Award Winner of Top 25
Hotels for Romance – Sri Lanka (10th)
Traveller's Choice Award Winner of Top 10
Luxury Hotels in Sri Lanka (10th)
Traveller's Choice Award Winner of Top 25
Hotels for Service – Sri Lanka (15th)



CONDÉ NAST
johansens
Luxury Hotels • Spas • Venues

Excellence Award for Luxury Value 2019



Evaluated as "Leading Spa Selection" 2018.



The Fortress Resort & Spa has met the requirements of the Green Globe Standard 1.7 under the category of Hotel & Resort.

GROUP FINANCIAL HIGHLIGHTS

Year ended 31 st March	2019	2018	2017
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Earnings Highlights and Ratios

Revenue	Rs'000	787,787	663,750	625,422
Earnings before interest and tax (EBIT)	Rs'000	261,381	176,137	163,356
Group profit before tax (PBT)	Rs'000	259,081	173,012	162,951
Group profit after tax (PAT)	Rs'000	209,521	140,799	134,864
Group profit attributable to the shareholders	Rs'000	209,081	140,556	133,822
Earnings per share (EPS)	Rs.	1.89	1.27	1.22
EPS Growth	%	48%	4%	0%
Interest cover	No of times	114	56	403
Return on Equity	%	11%	8%	8%
Pre - tax ROCE	%	14%	10%	10%

Balance Sheet Highlights and Ratios

Total assets	Rs'000	2,064,141	1,958,645	1,791,878
Total debt	Rs'000	17,169	22,010	33,298
Total shareholder's funds	Rs'000	1,853,273	1,755,079	1,614,522
No. of shares in issue	Number	110,886,684	110,886,684	110,886,684
Net assets per share	Rs.	16.71	15.83	14.56
Debt/Equity	%	0.93%	1.25%	2.06%
Debt/Total assets	%	0.83%	1.12%	1.86%

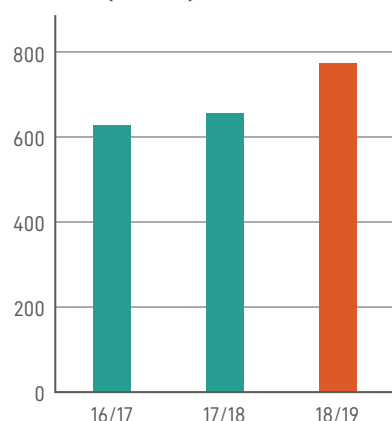
Market / Shareholder Information

Market price of share as at 31 st March	Rs.	10.00	10.50	11.60
Market capitalisation	Rs'000	1,108,867	1,164,310	1,286,286
Price earnings ratio	No of times	5.30	8.27	9.54

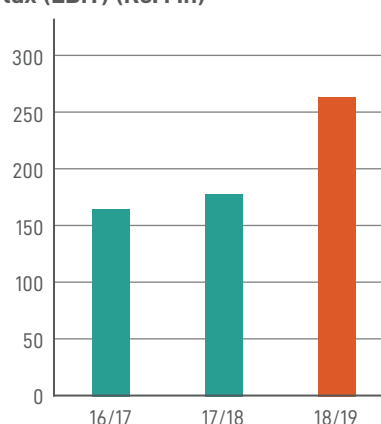
Operational Information

Average occupancy	%	67%	60%	65%
Number of room nights sold	Room nights	12,961	11,641	12,519
Room revenue	Rs'000	473,991	399,761	386,138
Average room rate (ARR)	Rs.	36,571	34,341	30,844
Revenue per occupied room	Rs.	61,154	57,927	52,634
Net profit per room	Rs'000	3,945	2,652	2,525

Revenue (Rs. Mn)



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





Revenue (Rs. Mn)

788

EBIT (Rs. Mn)

261

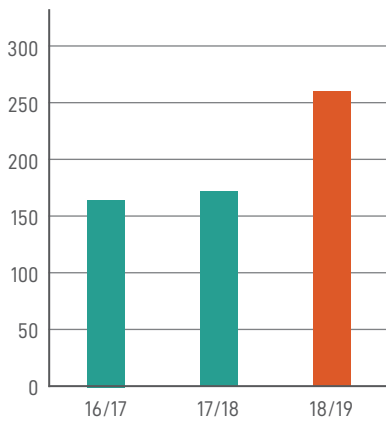
PBT (Rs. Mn)

259

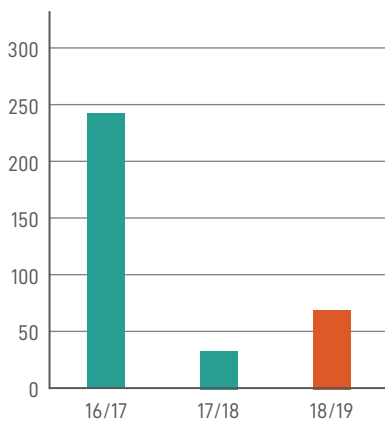
Interest Cover
(Times)

114

Group PBT (Rs. Mn)



Interest Cover (Times)



NON – FINANCIAL HIGHLIGHTS





220 Employees



250 hrs Training



22 Weddings

CHAIRMAN'S REVIEW



Dhammika. Perera
Chairman

“For over a decade, TFR has been at the focal point for the unfolding of an elegant and uniquely Sri Lankan style of coastal hospitality in the Koggala region, helping to drastically elevate hospitality and culinary standards in the region while providing guests and visitors to the area with timeless luxury and truly unforgettable holiday experiences.”

Dear Shareholder,

Introduction

It is my distinct pleasure to present to you the Annual Report and Statement of Accounts of The Fortress Resorts PLC (TFR) for the financial year ended 31st March 2019. We are pleased to report another highly successful year marked by strong occupancy rates and parallel improvements in financial performance, despite notable challenges faced by the wider hospitality sector during the year in review.

The following chapters of this report will provide detailed analysis of TFR's performance over the year in review, in order to ensure that the company's steadfast commitment to values of transparency, accountability and good governance are maintained to the highest standards.

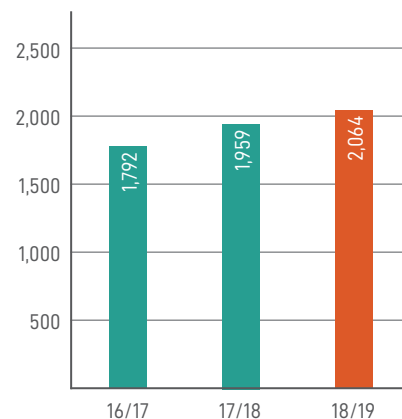
For over a decade, TFR has been at the focal point for the unfolding of an elegant and uniquely Sri Lankan style of coastal hospitality in the Koggala region, helping to drastically elevate hospitality and culinary standards while providing guests and visitors to the area with timeless luxury and truly unforgettable holiday experiences. Our shareholders will be pleased to learn that this proud legacy was further enhanced during the year in review through the achievement of numerous financial and operational milestones in keeping with TFR's position as a firmly established and responsible leader in Sri Lanka's booming hospitality sector.

Bolstered by an unprecedented level of global visibility arising out of strong international promotions together with growing popularity among seasoned global travellers, Sri Lanka emerged at the top of Lonely Planet's top travel destination in 2019, rightfully claiming its place as the must-visit destination in Asia. This impressive achievement brought with it further influxes in tourist arrivals from across the globe as international tourists flocked to the island. Naturally, given the immense and as-yet untapped potential of Sri Lanka as a destination, our growing prominence on the international stage was naturally long anticipated by many in the industry.

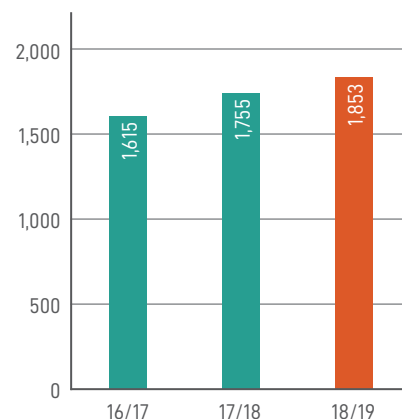
While at a macro-level, Sri Lanka's tourism and hospitality sector was undoubtedly on the right track during the year in review, these dynamics resulted in a rapid escalation in competition within the formal and informal hospitality sectors as well as between them as budget conscious travellers including domestic travellers – supported by online booking and rating platforms – increasingly opted for significantly lower cost accommodations in the informal sector.

Such an environment is of course a product of the continuing success of efforts to promote Sri Lanka as a global tourist hot-spot. The corresponding expansion of business opportunities for local communities to participate in and benefit from this booming industry is a highly positive development and still holds the potential to drastically improve the lives of such communities across the island. However, it is vital to ensure that operational and experiential standards are maintained at a consistent level within the informal sector in order to ensure the sustainability of the industry in years to come.

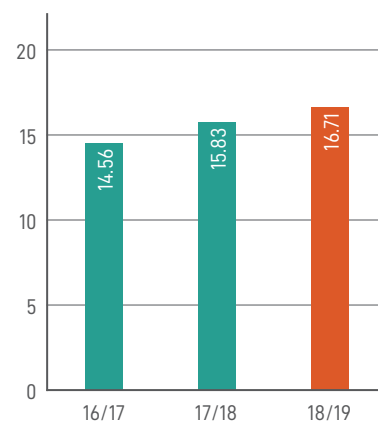
Total Assets (Rs. Mn)



Shareholder's Funds (Rs. Mn)



Net Assets Value Per Share (Rs.)



CHAIRMAN'S REVIEW

Such trends are only expected to increase in future, and while they bring with them, notable challenges, they also create opportunities for brands that are uncompromising on quality, hence while TFR remains cognizant of these dynamics, we are pleased to report that the hotel continues to thrive and set new benchmarks in this remarkably competitive environment, as evidenced by strong improvements in TFR's topline and bottom line performance. TFR's impressive financial performance was supported by highly commendable improvements across the totality of its revenue generating operations. Particularly at a time when competition within the hospitality sector has reached a zenith, these strong all-round results point to the underlying strength and stability of TFR's value proposition.

TFR's position as one of the country's leading hospitality brands was further demonstrated by the growing list of accolades awarded to the hotel, which included 7 international awards further showcasing TFR's outstanding commitment to driving consistent excellence through its operations in order to ensure that each visitor to our resort is guaranteed an exquisite holiday filled with all the flavor and character that Sri Lanka's scenic coastal culture has to offer. This ability to delight our guests is best illustrated in their own words, and we are proud to say that our guests remain one of TFR's most consistently valuable sources of positive reviews, with nearly three-quarters of all guest reviews testifying to the overwhelming excellence of our brand of hospitality.

Global Environment

While domestic travellers continued to account for the second largest source of visitors to TFR, our industry also serves as a vital link between Sri Lanka and the world. In that regard, it is useful to consider the increasingly volatile global

environment in which our industry and the global economy was immersed in during the past year.

Economically, this was a period in which news cycles were primarily dominated by escalating trade wars between the US and China, protracted uncertainty in the Euro-zone – particularly in relation to the ever-looming Brexit deal and rising US interest rates which in turn imposed sharp limitations on growth in emerging market economies.

Now a full 10 years from the anniversary of the global financial crisis, global economic growth hit approximately 3.8% in 2018, while the specter of continuing volatility has pushed global economic forecasts down to 3.6% in 2019.

US trade aggression manifested in the form of US\$ 200 Billion of tariffs against the Chinese economy, which resulted in notable negative impacts to the real economy and investor sentiment in what amounts to one of the world's largest and most dynamic global economies and it has been estimated that protracted trade disputes and tariff hostilities could negatively impact global trade by as much as 2% by 2021.

While the US economy benefited from a short-term boost to GDP through substantial tax cuts advanced by the Trump administration, interest rates were also hiked during this time in order to head off inflation, resulting in an interest rate of 2.5% by the end of the period in review.

While it was initially anticipated that further interest rate hikes were likely, by the end of the year in review, the US Fed had indicated that it would likely have to curb its policy of interest rate hikes, providing the promise of at least temporary respite to emerging market economies like Sri Lanka that are

particularly sensitive to exchange rate fluctuation owing to high current account deficits, arising from large import bills, and substantial US Dollar denominated debt.

Economic and political instability continue to set in across the Eurozone as growth in the third quarter of 2018 dropped to just 0.2% with the once stable economic centerpieces, the EU - Germany and France – being weakened by economic pressure as evidenced by a spate of factory closures in the former's automotive and industrial sectors, and widespread socio-political unrest over the French government's latest crop of policy reforms. While the current outlook of the EU has been set by the International Monetary Fund at 1.5% in 2019, several variables hold the potential for further downside risks – chief among them being the protracted stalling of Brexit.

This growth was conditional on the assumption of a smooth exit from the EU by March 2019, or rather entry into a 21-month single market and customs union transition. However at the conclusion of the year in review, no notable progress had been achieved.

The Bank of England estimated that in the event of a "no deal" Brexit, the UK economy could contract by as much as 3% to 8%, amounting to an economic collapse more severe than what was triggered by the global financial crisis of 2008. The implications of such an outcome for the global economy would be far-reaching, and provide an even stronger impetus for greater economic integration of emerging economies – particularly in the Asian region.

At present, the outlook for equities in emerging markets is decidedly more positive than in developed ones – demonstrating the strong underlying

growth fundamentals of the Asian region despite higher volatility and short-term changes in investor confidence. This is due to the strong long-term upside potential for the entire region arising from stabilizing institutions, a rising middle class consumer base and as yet, untapped growth potential.

China recorded GDP growth of 6.6% during the year in review, as the impact of trade disputes began to impact its real economy. In a bid to ease pressure and prevent a sharp slowdown in economic growth, the Chinese government primarily relied on revisions to taxation policy to provide increased stimulus to the wider economy. Consequently, GDP growth in Asia's primary engine of economic growth is anticipated to be in line with China's 2019 end target of 6.0%–6.5%.

Similarly, growth in Sri Lanka's closest neighbor continued at a steady pace despite being notably constrained by weaker consumer demand and a reigning in of government expenditure. GDP growth during the year dropped slightly to 7% but is projected to hit between 7.3%–7.5% by the end of 2019 – maintaining its position as the fastest growing major economy in the world.

Most notably, the end of the year in review marked the beginning of another election cycle in the world's largest democracy as incumbent Indian Prime Minister Narendra Modi completes a 5 year term marked by some mixed results and undeniable trade, economic, and development gains. Given the strained relations between India and Pakistan and its complex internal dynamics, the outcome of national elections in India is likely to have far-reaching implications for the entire Asian region, as well as the global economy.



CHAIRMAN'S REVIEW

Global Tourism Industry

Global travel has never been easier or more accessible than it has become in the information age and this trend is well represented in the continuous growth of the global tourism industry which posted its second strongest performance since 2010 during the year in review when global tourist arrivals totaled 1.4 Billion, reflecting Year-on-Year (YoY) growth of 6%, as compared with global economic growth of 3.7%. This remarkable performance was made even more notable by the fact that the United Nations World Tourism Organisation (UNTWO) in 2010 had forecast that the 1.4 Billion milestone would only be reached by 2020.

A notable factor supporting tourism growth worldwide has been the relative stability of international fuel prices which tended to result in affordable air travel. Together with improving connectivity worldwide together with the addition of substantial new capacity in major outbound tourist markets, the potential for increased tourism arrivals appears assured. Trends also show strong outbound travel from emerging markets, especially India and Russia but also from smaller Asian and Arab source markets. These strong growth rates are however anticipated to return to a lower and more stable trajectory over the coming years, averaging approximately 2-3% by the end of 2019.

These dynamics were also provided 'soft' support through the proliferation of an entire universe of apps, reviews, booking platforms, that all link back to a much more diverse range of destinations, accommodation and experiences than ever before. This unprecedented level of access is rapidly transforming the entire hospitality industry.

During the year in review, it is estimated that tourism contributed a record US\$ 8.8 Trillion to the global economy, reflecting growth of 3.9% YoY, and accounting for approximately 319 Million jobs across the global economy. This period also amounted to the eighth successive year that the tourism sector growth outpaced global economic growth. Moreover, travel and tourism now accounts for one in five of all new jobs created worldwide and is forecast to contribute 100 Million new jobs globally over the next ten years, accounting for 421 Million jobs by 2029.

Demand for travel is also evolving. Today's digitally empowered traveller is more comfortable than ever with going off the beaten track. Global travellers are increasingly seeking new destinations and experiences that immerse them fully in local cultures. Priorities are changing and globally the industry is adapting to cater to global travellers seeking novelty, adventure, and - above all - authenticity.

Sri Lankan Economy

The Sri Lankan economy enjoyed a marginal recovery in growth as GDP increased to 3.8% in 2018, as compared with 2017 when economic growth slowed to a historic low of 3.3% in the wake of extended droughts in agricultural regions. The Central Bank of Sri Lanka's continuing focus on maintaining a tight monetary policy resulted in sluggish but stable growth during the third quarter of 2018, however, improvements in the agriculture and services sector during the fourth quarter of the year helped to raise cumulative economic growth ahead of the previous year. However, GDP growth in 2018 ended just short of an initial target of 4.2%.

As at the third quarter of 2018, agriculture sector growth had completely reversed its position from 2017 when the sector was hit by a contraction of 3%, subsequently recording growth of 3.3%

during the period in review. Improved performance was primarily a result of improved weather conditions and stronger harvests - which also supported minor reductions in food inflation.

Industry sector growth was hampered by tighter monetary conditions and a drawing down of public and private sector investment - particularly in terms of construction and infrastructure projects - thereby leading to a reduction in growth from 5.3% in 2017 down to just 1.9% in 2018.

Continuing a well-established trend of dominance in terms of overall contributions to the national economy, the services sector posted continuous growth throughout the year, closing the third quarter of 2018 with 3.9% YoY, against 2.8% YoY in 2017.

While a relative improvement over the previous year, Sri Lanka's economic growth remained subdued in 2018, which was attributed towards weak domestic demand, tight monetary conditions, lower Government spending and stagnant fixed investment. Improved export values were driven by exports of apparel, rubber, tea and frozen fish - particularly towards the European Union which reinstated GSP+ concessions to Sri Lanka in 2017.

Exporters benefitted from three quarters of unprecedented depreciation as the US Dollar strengthened by 19% against the Sri Lankan Rupee which resulted in larger net export earnings in rupees. During this time, the Rupee depreciated in value by 19% YoY in 2018 to conclude the year in the range of Rs. 182.6 to the US Dollar. While currency volatility positively impacted the value of Sri Lankan exports, it also resulted in a sharp increase in terms of import expenditure arising out of high import dependency.

“ During the period in review, headline inflation remained in low single digit levels during the year due to continued slowdown in food inflation and low money supply in the market, averaging approximately 4.4% across 2018. ”

While the International Monetary Fund concluded its fourth review of its extended fund facility to Sri Lanka and authorized the release of US\$ 252 Million – signaling its approval of continuing reforms and improved economic performance the facility was subsequently put on hold in November 2018 following the political crisis, and negotiations are still underway to resume the facility.

The destabilizing influence of the crisis was also felt in terms of Sri Lanka's country Credit Rating, as the island was hit by ratings downgrades.

While, the tight monetary policy maintained by the Central Bank of Sri Lanka in 2018 acted as a limiting factor on growth, it also helped to contain inflation. During the period in review, headline inflation remained in low single digit levels during the year due to continued slowdown in food inflation and low money supply in the market, averaging approximately 4.4% across 2018.

Government expenditure spiked during the first half of 2018, it was subsequently curbed over the remainder of the year. Recurrent expenditure from January to September increased by 9.7% YoY up to Rs. 1.58 Trillion while total revenue increased by 6.7% YoY to Rs. 1.42 Trillion. By the end of 2018, the country's budget

deficit stood at 5.3% of GDP, as compared with a target of 4.8% and 5.5% in 2017. While continuing to overshoot targets, the economy has nevertheless made steady progress in reducing the countries budget deficit, assisted by the continuing consolidation of the tax revenues.

The country's substantial debt burden, impending elections and global market volatility are all anticipated to generate the significant down-side risks for the economy over the short term. Further, Rupee depreciation could also raise the cost of external debt servicing and refinancing, while also adding greater inflationary pressure to the economy on account of an increased imports bill.

The Sri Lankan economy is currently projected to exceed 4% economic growth in 2019 with debt repayment presenting one of the largest challenges to the national economy. Particularly in relation to foreign debt settlement, the expectation of further political uncertainty in the build up to the next election cycle and weaker credit ratings could generate further downside risks over the next year.

Domestic Tourism Industry

At the start of the year in review, Sri Lanka was poised to become one of the world's greatest tourism success stories. Sri Lanka ended 2018 with 2.33 Million tourist arrivals, up by 10.3% YoY but falling short of the 2.5 Million Government target. By comparison, tourist arrivals in 2017 increased by only 3.2% YoY where in the 2016, the growth rate stood at 14% YoY. These figures spoke to the immense untapped potential of Sri Lanka as one of Asia's most unique and diverse tourist destinations, offering everything from a rich culture and history to some of the world's most picturesque beaches and rich biodiversity.

These and many other attractions had become increasingly prominent on international platforms, culminating in Sri Lanka being rightfully ranked the Top Destination to Travel in 2019 by Lonely Planet. Hence despite some limited challenges, we note with pride that our industry had risen to every challenge. The industry and wider economy was adversely impacted to a limited extent by political instability in late October.

External developments also had a limited impact on Sri Lankan tourism such as in the case of Brexit negotiations and general instability in the Eurozone which

CHAIRMAN'S REVIEW

The performance of the tourism sector nevertheless stood out as one of the bright spots in Sri Lanka's wider economic performance, generating US\$ 4.3 Billion during the year in review, as compared with US\$ 3.9 Billion in 2017.

resulted in an overall reduction in arrivals from key markets such as Germany, France and Italy. Nevertheless, some of the highest spending tourists to the country continued to be sourced from these markets.

Tighter monetary conditions also gave rise to challenges in relation to upgrading of existing hotels owing to increased costs of lending, while perennial challenges in the form of rising competition from an oversupply of accommodation – particularly in the budget space – as well as challenges in recruiting skilled staff – continued to limit the industry's full potential.

The performance of the tourism sector nevertheless stood out as one of the bright spots in Sri Lanka's wider economic performance, generating US\$ 4.3 Billion during the year in review, as compared with US\$ 3.9 Billion in 2017. While many more issues required attention – including the urgent need for stricter enhancement and enforcement of environmental protection standards, particularly in relation to the mushrooming of properties of every category across the island – overall our industry was on track to achieve unprecedented success in 2019 and the challenges we faced were largely the fruits of our own success.

A Bright Future Violently Interrupted

It is therefore one of our saddest and most solemn duties to once again pay our respects to the hundreds of lives lost and the many others who were injured or lost loved ones in the senseless terrorist attacks of Easter Sunday 2019. On behalf of the entire team of employees at The Fortress Resorts and Spas we share in the profound grief that all Sri Lankans and the entire world felt at this cowardly and evil act.

Through times of immense hardship, our industry and our nation have always persevered and we remain confident that Sri Lanka's resilience will once again be proved without a shadow of a doubt. While these terrible developments remain outside of the scope of review of this annual report, their impact will sadly be felt in the difficult months ahead. It is our sincere hope that Sri Lanka returns as soon as possible to the hard-won peace that we had all enjoyed for a decade and which a new generation of Sri Lankans had been raised without having known the pain of war.

In these dark times, it is our response to tragedy that defines us, and I have no doubt that our industry and our nation will bounce back as we have time and again. We must each look to what steps can be taken to come together – as an industry, as a nation, as individuals and communities of all faiths and ethnicities – and stand united behind a

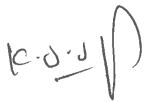
collective vision for our nation built on the fostering of compassion, mutual respect, sustainable prosperity and peace, safety and security for all Sri Lankans and all those who visit our shores, today and for all future generations.

In the interim, it is now unavoidable that the domestic hospitality industry will face serious difficulties as international and local travellers act cautiously, particularly in the face of international travel warnings from several nations. Our most pressing concern as Sri Lankans must now be to ensure that all of those who have been affected by this terrible tragedy are provided the support they need. As a nation, the duration for which we must endure these difficult times is ultimately within our control provided that our industry work in partnership with the Government to ensure that every necessary and prudent measure is taken to rapidly and comprehensively bolster security and in the process ensure that that our nation is once again a safe and peaceful place to visit.

Acknowledgement

The success that we have achieved to date as a brand is the product of coordinated and dedicated efforts at every level of our organization. Therefore in concluding, I wish to once again acknowledge and express my sincere appreciation for the unwavering and invaluable support extended to me by my colleagues on the Board of Directors.

Similarly I thank my dedicated team of management for their tireless efforts in contributing to and executing the vision for our organization, and most importantly to our outstanding team of employees whose efforts and commitment to excellence are the bedrock of our success. Working together, I am more confident than ever that we can provide vital assistance to ensuring not only that Sri Lanka's tourism industry is able to endure difficult times, but go on to once again thrive.



Dhammika Perera
Chairman

15 May 2019



MANAGING DIRECTOR'S REVIEW



K.D.H. Perera
Managing Director

“The year in review has seen TFR maintain strong occupancy rates, increased top and bottom line performances and a consistent reputation for quality in the face of increased competition and limited socio-political volatility and other challenges at the industry-level.”

Introduction

It is my pleasure to present to our esteemed stakeholders the Annual Report and Statement of Accounts of The Fortress Resorts PLC (TFR) for the year ended 31st March 2019. This report aims to provide stakeholders with clear, comprehensive, and reliable data on the complete performance of the company, in furtherance of TFR's firm commitment to values of transparency, accountability, and good governance.

We note with pride that over the year in review, TFR continued to set the benchmark for seamless luxury, South coast hospitality, and despite unprecedented competition for accommodation, cuisine and entertainment, TFR's unique brand of laid back tropical charm blended with the decadent resort experiences continues to serve our property in good stead, enabling our property to once again raise the bar in terms new operational benchmarks and a dynamic financial performance.

The year in review has seen TFR maintain strong occupancy rates, increased top and bottom line performances and a consistent reputation for quality in the face of increased competition and limited socio-political volatility and other challenges at the industry-level.

As noted by our Chairman, Sri Lanka's rising prominence over the period in review resulted in another upsurge in tourist arrivals. Our nation's rising global prominence has been long anticipated, and naturally the country's tourism industry has been an attractive investment opportunity. Together with the emergence of platforms and Online Travel Agencies (OTAs), the conditions were ripe for the informal tourism to boom.

Key Industry Dynamics

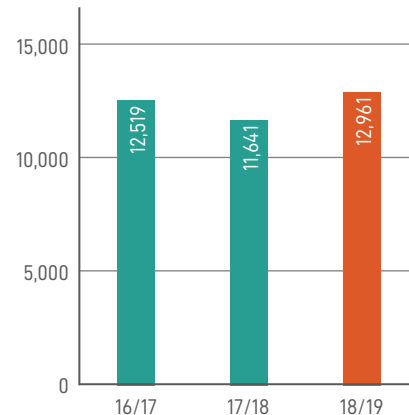
Today, this sector's ability to offer drastically cheaper accommodations has resulted in intense competition that has created substantially greater price sensitivity, compelling some operators to freeze prices. Together with increases in fuel prices and substantial exchange rate volatility, the industry grappled with increased costs. These had knock-on impacts across different sectors, most notably including F&B yields, with margins being pressured by increased cost on imported ingredients and spirits.

The influx of budget tourists to Sri Lanka's informal sector helped drive further positive organic exposure for Sri Lanka, further raising our nation's global desirability as one of Asia's newest and most unspoiled tourist hotspots, and this reputation was further bolstered by the securing of prominent positive coverage across internationally reputed travel publications, most notably the number 1 Destination to Travel for 2018 by Lonely Planet. Such prominent exposure helped seal Sri Lanka's place as one of Asia's must-visit destinations alongside Thailand, Singapore, Vietnam and others in 2018.

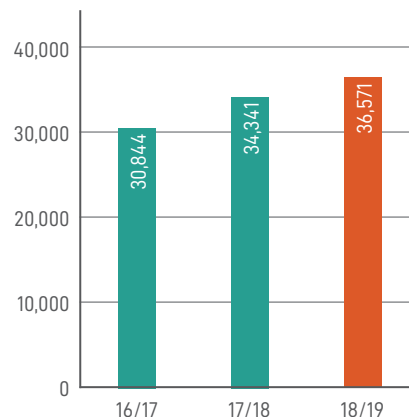
These organic promotions were further supported by much-needed promotional campaigns driven by the Sri Lanka Tourism Promotion Bureau. Most notably, Sri Lanka Tourism debuted its latest branding and marketing campaign - 'So Sri Lanka' - which was first introduced at World Travel Mart (WTM) in London last November.

It was in this backdrop that Sri Lanka was able to secure arrivals of 2.33 Million in 2018. While the stellar performance of the industry as a whole was dented by political instability in October of 2018, its impact was muted by the overwhelming overall surge in tourist arrivals to the country.

Room Nights sold (Nos)



Average Room Rate (Rs.)



Revenue Per Occupied Room (Rs.)



MANAGING DIRECTOR'S REVIEW

While concluding the year below the Government's 2.5 Million arrivals target, the growth in arrivals was nevertheless extremely encouraging, amounting a 10.3% Year-on-Year (YoY) in 2018, as compared with 3.2% YoY in 2017 and 14% YoY in 2016. Unfortunately, the political volatility which the country did experience was just ahead of the country's peak tourism season, and without it, it is possible that Sri Lanka could have even exceeded its arrivals targets.

Hence despite arrivals reaching an unprecedented 253,169 in December 2018, this figure nevertheless amounted to a growth rate of just 3.5% YoY, where the highest growth rates in arrivals were recorded in February, March, June and November.

While several hotels did suffer from cancellations as a result of the political crisis, the impact of cancellations was further minimized by the influx of British tourists to the Galle area that coincided with the hosting of an International Cricket test match series between England and Sri Lanka that was being hosted in Galle in November.

The industry was also constrained by the higher policy rate position maintained by the Central Bank of Sri Lanka. Higher interest rates arising from this policy had the effect of discouraging investments into the refurbishment and upgrade of existing properties, which in turn would limit the wider industry's ability to attract higher-spending tourists to the country.

Higher volumes of tourists and increased room capacity island-wide has also inevitably resulted in concerning violations of environmental standards. These are problems which when not addressed, have tended to overwhelm iconic tourist destinations in competing nations like Thailand and Indonesia where entire locations have to be closed off to the public in order to help the natural

eco-systems in those areas recover. As an organization we consider it imperative to ensure that Sri Lanka does not fall into the same trap. Consequently, TFR supports calls for stricter enforcement of environmental standards, and prudent evaluation of existing standards in a manner that ensures a sustainable future for Sri Lanka's rich natural heritage for future generations.

Operational Highlights

Despite the numerous challenges outlined at the macro and industry level, we are proud to note that TFR once again delivered an outstanding performance over the year in review, as demonstrated across numerous key performance indicators including a substantial increase in total guest nights at the property from 22,799 in 2017 up to 25,427 guest nights in 2018. The hotel's occupancy rates were further supported by the fact that the year in review marked the first full year of operations since major refurbishments to the property were completed. Consequently, average occupancy increased to 67% in 2018/19 as compared with 60% for 2017/18. Average room rates during the year rose to Rs. 36,520, against a previous Rs. 34,341.

As a result, the hotel was able to attract and host more guests while the significant improvements made across the board, from the lobby and restaurant areas to guest rooms contributed towards significantly raising the profile of the entire property. Rounding out refurbishments of the TFR during the year in review was the successful completion of a beach room renovation programme in addition to the conversion of two beach rooms into interconnected family rooms that will cater to rising demand from local and international guests for larger accommodations. A total of Rs. 30 Million was invested in these towards this project, while further renovations have also been lined up for 2019.

In keeping with a well-established trend, the majority of visitors to the hotel over the year in review were primarily from Great Britain, with visitors from the country accounting for 50% of total guest nights at the hotel.

Sri Lankan travellers also continued to contribute substantially to the performance of the hotel, with 909 local guest room nights at the hotel in 2018/19, as compared with 1,199 local room nights in 2017/18 and 1,756 local room nights in 2016/17. This declining trend has largely been attributed to the rapid escalation in competition for accommodation across the Southern coast, which in turn has provided domestic travellers – who are often among the most price conscious demographics in the country – with a substantially wider array of competitively priced accommodations.

In terms of volume, our Australian guests accounted for the second largest number of visitors with 1,004 room nights in 2018/19, as compared with 484 room nights in 2017/18 and 573 room nights in 2016/17, however, during the year in review, they accounted for 8% of total room nights.

Despite lower volumes of Sri Lankans visiting the property, local travellers continued to represent a vital contribution to room nights sold rates, accounting for 7% of total room nights – the third highest by country. This indicates that Sri Lankans who do visit The Fortress Resort tend to stay for longer than the average guest. This is one of many encouraging signs that point to the unmatched hospitality and pristine luxury which our brand continues to offer and we take pride in the lasting relationships that we continue to build on with our loyal guests.

Cuisine

Another growing measure of the success that TFR continues to enjoy as an attraction in its own right can be seen

in the impressive performances of our F&B sector. TFR offers a diverse and delicious spectrum of cuisine featuring everything from authentic and fresh Sri Lankan dishes to elegant interpretations of Western, Chinese, Japanese and Indian cuisine. The quality, depth and breadth of our dining options alone makes The Fortress an iconic culinary hotspot for hotel guests as well as visitors to the Koggala area.

Over the year in review, we are pleased to report that this trend continued to positively develop, leading to even more walk-in business while guests who stayed at the hotel, often would also choose to dine-in and relish on the gastronomic tour de force offered by The Fortress Resort. In addition to maintaining an unmatched level of quality in terms of cuisine, another contributing factor to the success of TFR's F&B sector has of course been its iconic venue, design and ambience, as well as the numerous themed nights and events hosted at the property. Combined, these dynamics have helped TFR to build up its presence as an entertainment hub in Koggala, which has also helped mitigate the fierce competition for accommodation that has come up in the region over the recent past.

Financial Highlights

The strong operational framework of TFR was instrumental in the recording of another outstanding financial performance for the company. Over the year in review, revenue expanded from Rs. 674.3 Million up to Rs. 793.7 Million of which, room revenue contributed Rs. 474 Million in 2018/19, as compared with Rs. 399.8 Million in 2017/18.

Similarly, food revenue increased from Rs. 156.3 Million up to Rs. 185.8 Million while beverage revenue rose from Rs. 59 Million up to Rs. 72 Million during the period in review, further demonstrating the outstanding operational excellence



MANAGING DIRECTOR'S REVIEW

achieved by TFR in 2019. The hotel's award winning spa continued to make stable contributions to top line performance as well, posting a marginal improvement up to Rs. 23.9 Million in 2018/19, as compared with Rs. 23.7 Million last year.

The company's strong growth prospects were also reflected in its balance sheet with total assets expanding from Rs. 1.96 Billion up to Rs. 2.1 Billion within just one year while borrowings reduced from Rs. 22 Million down to Rs. 19 Million during the period in review, reflecting the winding down of the hotel's last phase of refurbishment.

Despite the substantial improvements in top line performance, we note with pride that TFR was able to contain its operating costs to Rs. 587.5 Million, as compared with Rs. 542.5 Million in 2017/18; another display of the continuing excellence and attention to detail and efficiency that has been embedded across our organization.

As a result of these remarkable achievements, we are proud to report that TFR Profit After Tax (PAT) recorded major improvements during the year in review, increasing from Rs. 140.8 Million up to Rs. 209.5 Million, while earnings per share rose from Rs. 1.27 up to Rs. 1.89 per share.

Investments in Our Future

TFR continues to adopt a holistic approach to sustainability with a view to balancing economic social and environmental needs in a manner that ensures that our organization is able to generate optimum profits while preserving the rich natural resources which are at the heart of what makes Sri Lanka such a captivating tourist destination. In that regard our stakeholders will be pleased to learn that several of the company's long-running projects were maintained and enhanced during the year in review.

Over the past three years, TFR has sponsored the operations of a nearby turtle hatchery, in addition to providing the facility with vital infrastructure and free WIFI facilities. The hatchery is also promoted to hotel guests along with information on turtle conservation and the unique wealth of marine biodiversity which Sri Lanka is home to that makes it such an important habitat for multiple species of sea turtles.

We also continue to engage with local communities, through regular programmes like the hotel's donation of school books to children of its employees – a programme that was first initiated in 2006. In 2018, this programme was expanded with the donation of Rs. 350,000 worth of school books and essential supplies. We also work to support local art and culture, with the resort regularly hosting a Sri Lankan night that puts the spotlight on traditional drummers, dancers and musicians.

We also place great importance on the implementation of any feasible measures capable of reducing and mitigating the environmental footprint of TFR's operations. Having first achieved Green Globe Certification in 2017, we are proud to note that the stringent standards that were implemented in relation to the consumption and use of plastic products and packaging have been strictly adhered to during the year in review. Moreover, TFR also completely eliminated the use of plastic straws which were replaced with paper straws while polythene bags were partially replaced with paper bags and would be completely phased in by the end of the next financial year. Additionally, measures are also underway to phase out all halogen lamps in favour of energy efficient LED lights, with most having been installed during the year in review.

TFR's long running organic garden programme also continues to stand as a resounding success. During the year

in review, we increased our investment towards the project up to Rs. 306,240 for which we were able to produce a yield of Rs. 378,705 worth of clean, fresh, and organic fruits and vegetables for use in hotel kitchens and guest rooms.

Meanwhile, efforts to optimize electricity and water consumption have also yielded tremendous results for the TFR. Our solar panel project has helped the resort save approximately 18,000 litres of diesel while the installation of water conserving taps has saved over 8,000 cubic meters of water consumption.

Our People

Given the scale of the Sri Lanka tourism industry and its potential for continued growth, the lack of skilled and professionally trained staff is a serious problem for the entire industry. Fortunately, we are proud to note that TFR's primary strength continues to be our people, and while recruitment is growing to be a more pressing challenge across the industry, the management has always maintained a proactive stance to recruitment and skills development among its existing team.

Our philosophy towards our employees is based on the fact that we view every investment towards honing the skills of anyone who works at our property to be not just a short-term, but a long term investment in the betterment of our own property, and that of the wider industry. A culture of excellence can only be maintained and enhanced by its people

That is why over the year in review, TFR continued to invest heavily in training, channeling Rs. 1.5 Million towards employee training together with a further investment of Rs. 19.6 Million on staff welfare which included meals, uniforms, medical insurance, transport and cost of maintaining staff accommodations and comprehensive range of other benefits.

“The company's strong growth prospects were also reflected in its balance sheet with total assets expanding from Rs. 1.96 Billion up to Rs. 2.1 Billion within just one year”

Training included English training programmes for all employees during the off-season, together with specialized courses across all hotel departments. We also continued to maintain our relationship with the Ceylon Hotel School here in Koggala and NAITA, providing slots for 10-15 trainees seeking 6 month work experience programmes as part of their curriculum.

This programme has over the years yielded some of our best and most promising recruits and we consider it an invaluable opportunity for mutual benefit, while planting the seeds for a future generation of leaders to carry this industry forward.

Outlook in the Face of Adversity

While the events of Easter Sunday fall outside the traditional scope of this review these terrible events will regrettably shape developments in the tourism industry, and at a national level, for years to come. We join together with our Chairman and our fellow members of TFR team in mourning for the loss of innocent life and the lasting damage that has been caused as a result of these cowardly attacks.

In terms of its impact on the industry, naturally, in the weeks following the attack, the first and most pressing concern was for the welfare of survivors and the need to re-establish more stringent security protocols at every level of society. As an industry, we must also carefully re-examine every aspect of our operations and take every possible measure to strengthen security and

ensure the safety of every guest and employee.

Invasive security procedures are of course at odds with our natural instincts towards hospitality, however, in these difficult times, it is more vital than ever that each of us stands united, and takes whatever steps are needed to ensure our collective security and well-being. Moving forward, doubtless, there will be further developments and agreements reached at an industry level.

In the interim, TFR has already consulted with its security teams and has already begun crucial revisions to security protocols on a priority basis. We assure our stakeholders and guests that we will not compromise on this in any way. Further investments are also being explored and will be made as and when required to ensure that our most valued guests are provided a completely safe and secure environment in which to enjoy a tranquil and peaceful vacation. Doubtless, it will be our ability to stand up together as a nation in support of peace, harmony, and respect for all citizens of all faiths and ethnicities that will win the day. The TFR family is committed to doing its part to help our nation, and our industry persevere and continue to thrive against all odds.

Acknowledgements

It has been a challenging but rewarding year for TFR and I would like to take this moment to acknowledge the untiring efforts and invaluable guidance of our Chairman and Board of Directors whose visionary leadership has been

instrumental in the outstanding success that we have achieved over the past year, and will no doubt prove crucial in the difficult months ahead of us, our industry and our nation.

I also wish to wholeheartedly express our collective gratitude to our incredible team of employees who are at the very heart of our success. We pledge our complete support to each of them as we navigate an uncertain future. Our organization, the tourist industry, and our nation as a whole has endured a great deal, and working together, standing united, I am confident that we will overcome every challenge before us.

Lastly, and most importantly, I wish to thank our most valued guests. As Sri Lankans, hospitality is second nature, it is part of our language, customs, and expresses itself in many diverse ways. That is the true beauty of Sri Lanka and we thank you for visiting our beautiful nation and hope that you will return to our sunny shores as we make our way back to the peace that were blessed with for the past decade.



K D H Perera
Managing Director

15 May 2019

BOARD OF DIRECTORS



Mr. Dammika Perera
Chairman

Mr. Dammika Perera is the quintessential strategist and business specialist with interests in a variety of key industries including Manufacturing, Banking & Finance, Leisure, Aluminum Extrusion, Packaging, Plantations, Lifestyle, Healthcare, Consumer and Hydro Power Generation.

He has over 30 years of experience in building formidable businesses through unmatched strategic foresight and extensive governance experience gained through membership of the Boards of quoted and un-quoted companies.

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



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.



Mr. J A S S Adhihetty
Director

A veteran Marketer who started his career as a trainee at KPMG Ford Rhodes Thornton & Company and later joined Mercantile Investments Limited, where he served for a period of 26 years. He is the Managing Director of L B Finance PLC and a Director of Vallibel One Limited and Pan Asia Banking Corporation PLC.

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



Mr. Malik J Fernando
Director

Appointed to the Board in 1999.

Malik is a Director of MJF Holdings & Dilmah Tea. Established by Merrill J. Fernando; Dilmah, named after his two sons Dilhan and Malik, was the first producer owned tea brand, offering tea 'picked, perfected and packed' at origin. Dilmah is founded on a passionate commitment to quality and authenticity in tea, it is also a part of a philosophy that goes beyond commerce in seeing business as a matter of human service.

Malik is also the Managing Director of Resplendent Ceylon, the first Sri Lankan luxury resort brand. Resplendent Ceylon is developing a collection of small, luxury resorts that offer discerning travellers a remarkable circuit across Sri Lanka, with a range of authentic experiences, while contributing towards local communities and the environment through the MJF Foundation and Dilmah Conservation.

Malik has a BSc in Business Management from Babson College in the USA.



Mr. Merrill J Fernando
Director

Appointed to the Board in 1999.

Merrill J Fernando is the founder of the MJF Group of Companies and Sri Lanka's global tea brand, DILMAH. He re-launched Ceylon Tea in the 1980s and was the first tea producer to develop an origin packed, producer owned and genuinely ethical tea brand in any tea, coffee or cocoa producing country.

He pioneered value addition, packaging, branding and marketing consumer ready tea from source, enabling Sri Lanka to retain profits which traditionally enriched foreign traders at the expense of tea producers. Dilmah is a model for genuinely ethical trade. Merrill J. Fernando showed producers of raw material the way out of the commodity trap and by maintaining an uncompromising commitment to its founding principles of Quality and Integrity, Dilmah has become a respected international tea brand.



Mr. L T Samarawickrama
Director

An Internationally qualified Hotelier having gained most of his Management experience in UK, working for large international hotel chains over a long period of time. First Sri Lankan Manager to be appointed by the Beaufort International Chain of Hotels to run the first seaside boutique resort. Member of the Institute of Hospitality, UK (formerly HCIMA) and of the Royal Society of Health, London. He counts over 38 years experience in the trade. Having specialized in Hotel designs and development, he has been responsible for the careful planning and execution of Amaya Resorts & Spas refurbishment and rehabilitation programmes. He is also a Director of Amaya Leisure PLC, Hotel Services (Ceylon) PLC, Royal Ceramics Lanka PLC and Kelani Vally Plantations PLC



L N de S Wijeyeratne
Director

Mr. Lalit N de Silva Wijeyeratne is a fellow of Institute of Chartered Accountants in Sri Lanka and counts over Thirty Five years experience in Finance and General Management both in Sri Lanka and overseas. He was the Group Finance Director of Richard Pieris PLC from January 1997 to June 2008 and also held senior management positions at Aitken Spence & Company, Brooke Bonds Ceylon and Zambia Consolidated Copper Mines Ltd. He is presently a Director of several listed and unlisted Companies

BOARD OF DIRECTORS



Mr. Jan Peter Van Twest
Director

Mr. Jan Van Twest counts over 36 years of experience in the hospitality industry in senior Management positions in Sri Lanka, Europe, Australasia and the South Pacific.

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

He is presently, a Director of Hotel Services Ceylon PLC.



Mr. D E Silva
Director

Fellow Graduate Member from the Ceylon Hotel School and School of Tourism (FCHSGA), in Hotel and Catering Operations with a specification in front office operations and was awarded the management Diploma in Hotel and Catering operations with a Second Class Upper division and a member of the Institute of Hospitality (UK). He is also a Director of Amaya Leisure PLC, Maalu Maalu Resorts and Spa and Delair Travels (Pvt) Ltd. An all Island Justice of the Peace and counts over 17 years of experience in the Hospitality Industry, specializing in Marketing and Sales.



Mr. C V Cabraal
Director

Chatura Cabraal is a Graduate (with Honors) in Mechanical Engineering with a focus in manufacturing and design from the Missouri University of Science and Technology USA. During his bachelors degree, he paid special attention to Control Systems Engineering, Environmental Control and Engineering Statistics. These topics were extensively applied in his functions as an Engineer and he has been closely associated with the analysis of new equipment for factories, renewable energy projects and sustainability reporting.



Mr. H Somashantha
(Alternate Director to Mr. L T Samarawickrama)

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.



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 has a Bachelor of International Studies from University of Queensland, Australia and she completed her Internship at the Department of Community Safety, Strategic Policy Division, Queensland Australia. She 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.



Mr. C U Weerawardena
Director

Mr. Chethiya Umagiliya Weerawardena is an entrepreneur with 14 years' experience in the Gem Industry and has business interests in Real Estate. He holds a Diploma of Commerce from Deakin University, Sydney, Australia.



Mr. R E U De Silva
Director

Mr. Eshana De Silva was educated at Royal College, Colombo 7 and a member of the Institute of Certified Professional Managers and an Associate Member of the United Kingdom Association of Professionals. He is the Honorary Consul General to Kazakhstan. He holds Directorships in several sector including Shipping, Logistics and Hotels.

Mr De Silva had been the Chairman of Pan Asia Banking Corporation PLC from 2016 – 2017.



Mr. A H N Rodrigo
(Alternate Director to Mr.
Malik J Fernando)

Mr. Nalintha Rodrigo was appointed to the Board of The Fortress PLC as the Alternate Director to Mr. Malik J Fernando

He is a senior finance professional with over 18 years of experience, including 12 years within MJF Group of Companies. He is currently the sector financial controller of MJF Group, overlooking investment and leisure sectors.

Mr. Rodrigo is a fellow member of the Institute of Chartered Accountants of Sri Lanka, Chartered Institute of Management Accountants, United Kingdom and a member of the Australian Computer Society. He also has a MBA from the Postgraduate Institute of Management.

MANAGEMENT DISCUSSION AND ANALYSIS



Average Occupancy

Average Room Rate (Rs.)

“

The global travel and tourism market is expected to reach US\$ 13.6 Trillion by 2027, expanding at a CAGR of 5.2% from 2019 to 2027. The market is segmented by regions into North America, Europe, Asia Pacific

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Room Revenue (Rs. Mn)

Food & Beverage Revenue (Rs. Mn)

Spa Revenue (Rs. Mn)

Introduction

The following report is prepared with the objective of providing stakeholders with a detailed analysis into key performance indicators and the most significant developments taking place at The Fortress Resort PLC during the financial year ended 31st March 2019, in keeping with the organisation's proactive commitment towards vibrant stakeholder engagement, and the highest standards of corporate governance, transparency and accountability. In doing so, TFR aims to ensure that all stakeholders are able to accurately assess the financial and operational opportunities which the company has availed itself of over the past year, and its potential for growth in relation to pertinent global and local developments.

MANAGEMENT DISCUSSION AND ANALYSIS

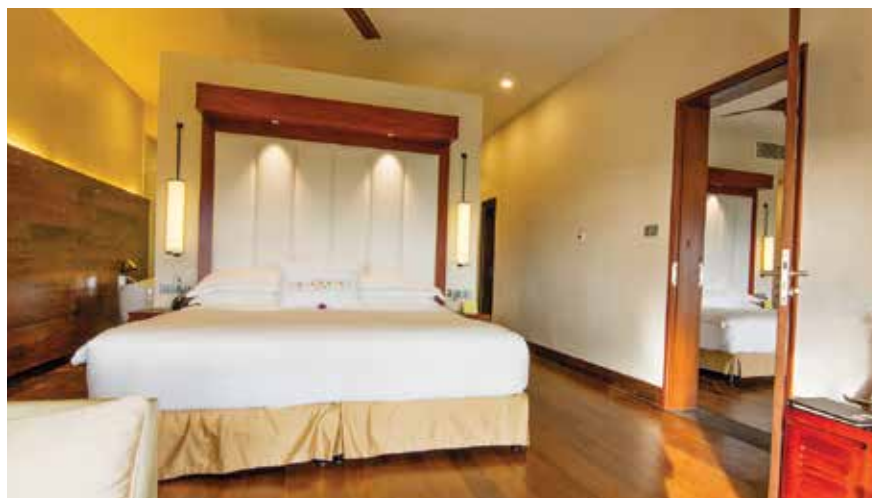
Global Economy

The year in review was marked by rising volatility in the global economy. Despite the year starting positively, global economic performance was steadily weakened as the US and China entered into a protracted trade dispute which resulted in a measured drawing down in global trade an industrial production and manufacturing. The increasingly protectionist rhetoric being deployed by larger global economies on trade has meant higher uncertainty about trade policy, which weighed down future investment decisions.

The protracted trade dispute between the United States and China which resulted in a collective tariff value of US\$ 200 Billion being imposed on the Chinese economy, resulted in notable negative impacts to the real economy and investor sentiment in what amounts to one of the world's largest and most dynamic global economies and it has been estimated that protracted trade disputes and tariff hostilities could negatively impact global trade by as much as 2% by 2021.

Parallel to these developments, emerging markets were placed under continuous pressure as a result of an unprecedented spike in the value of the U.S. Dollar as policy rates in the U.S. climbed steadily higher, driving up international borrowing costs, and raising the price of crucial commodities in import-heavy nations. Monetary policy normalisation, particularly in the United States of America (USA), resulted in global financial conditions tightening, thus causing capital outflows from emerging market economies and increased pressure on exchange rates of twin deficit economies, in particular.

The overall drop-off in international trade during the year served to exacerbate conditions for vulnerable developing market economies. Increasing crude



oil prices generated further inflationary pressure with crude oil prices averaging US\$ 64.9 a barrel and peaking at US\$ 76.4 a barrel in 2018, as compared with an average price of US\$ 50.8 and a peak of US\$ 60.4 in 2017.

Consequently, the global economy posted growth of approximately 3.8% in 2018, improving marginally over a previous 3.7% in 2017, however, economists are bracing for a period of increased volatility in 2019, leading to downward revisions of global GDP growth forecasts down to an estimated 3.6%.

Climate Change

Another clear and concerning issue for the all nations is the rising threat of climate change which during the year in review approached what is increasingly viewed as a tipping point for human civilization and global eco-systems.

Carbon dioxide levels, which were at 357.0 parts per Million in 1994, continued to rise at an alarming rate, up to 405.5 parts per Million in 2017. In 2018, this concentration rose to 409.9 ppm and is currently projected to continue to unprecedented levels in 2019 unless swift and sweeping action is taken to reverse emissions on a global scale.

These developments present a clear and present threat to life on earth, given that the current levels that are being recorded have never before been recorded in at least the last 10,000 years. Continued inaction on global climate change is anticipated to put at least 1 Million different animal species at risk. Emerging economies are particularly at risk from the adverse impacts of climate change and resultant increase in extreme weather events.

At present, no effective measures to counter this threat has appeared, despite promising shifts in major global economies like China and India towards renewable energy. Greater action is needed at every level in order to mitigate for the coming impacts of climate change, and at a national level too, more resources need to be channeled towards researching and building resilience to climate change, with the onus being on the world's largest sources of greenhouse gases to drastically curb emissions on a urgent basis.

The United States

The U.S economy benefitted from a short term growth spurt arising out of a stimulus package taking the form of sharp corporate tax cuts matched by



drastic cuts to expenditure promulgated by the Trump administration which resulted in higher corporate earnings and improved GDP performance of 2.2% over the first quarter of the year. These trends were further bolstered by improved exports and fixed income growth arising out of a higher interest rate environment and increased investment into the US economy. US growth peaked at 4.2% only to close the year at 2.2% and thereafter rebound to 3.2% in the final quarter of the financial year.

While it was initially anticipated that further interest rate hikes were likely, by the end of the year in review, the US Federal Reserve had indicated that it would likely have to curb its policy of interest rate hikes, providing the promise of at least temporary respite to emerging market economies like Sri Lanka that are particularly sensitive to exchange rate fluctuation owing to high current account deficits, arising from large import bills, and substantial US Dollar denominated debt.

At a political level however, the country remains deeply polarized on key issues including healthcare, education, social

welfare and immigration. Internationally, the United States also appears to have strained relationships with its traditional European and British allies, leading to the potential for continued uncertainty on international diplomatic and trade policy. The year in review also saw a resurgence of Democratic control of the House of Representatives and while Republicans maintained control of the Senate and Executive, a fresh cycle of elections is likely to create continuing uncertainty towards the end of the next financial year.

The European Union

Economic and political instability continue to set in across the Eurozone as growth in the third quarter of 2018 dropped to just 0.2% with the once stable economic centerpieces the EU - Germany and France - being weakened by economic pressure as evidenced by a spate of factory closures in the former's automotive and industrial sectors, and widespread socio-political unrest over the French government's latest crop of policy reforms.

While the current outlook of the EU has been set by the International Monetary Fund at 1.5% in 2019, several variables hold the potential for further downside risks - chief among them being the

protracted stalling of Brexit. The fate of the Eurozone itself appears subject to deep uncertainty given the emergence of continuing Euro skepticism in what were once bastions of the single market framework such as Spain and Italy.

Forecasts of the EU's growth were also conditional on the assumption of a smooth exit from the EU by March 2019, or in the alternative - entry into a 21-month single market and customs union transition. However at the conclusion of the year in review, been no notable progress had been achieved.

The Bank of England estimated that in the event of a "no deal" Brexit, the UK economy could contract by as much as 3% to 8%, amounting to an economic collapse more severe than what was triggered by the global financial crisis of 2008. The implications of such an outcome for the global economy would be far-reaching, and provide an even stronger impetus for greater economic integration of emerging economies - particularly in the Asian region.

China

During the year in review, China's GDP growth rate declined to 6.6%, against a previous 6.9% and marginally above official targets but nevertheless amounting to its slowest pace of growth in three decades. Given the sheer scale of the Chinese economy and its role as a regional powerhouse and global leader in economic growth, the downward trend in the Chinese economy holds significant implications for the global economy. Over the next year, this growth rate projected to drop even further, down to 6.3% in 2019

Given the ongoing trade disputes between China and the US, it is likely that further fiscal and monetary policy stimulus will be applied in order to prevent the existing down which the Chinese economy has entered becoming more

MANAGEMENT DISCUSSION AND ANALYSIS

protracted. A series of planned tax cuts aimed at boosting small businesses and building up appetite for domestic consumption will be the primary mechanism by which China's stimulus package will be delivered, in alignment with its longstanding goal of ramping up domestic consumption and reduce reliance on domestic trade.

In that regard, it is notable to consider that these measures are gaining momentum with the Chinese consumer market now growing faster than any other in the world, while consumption growth has risen faster than overall economic growth, driving four-fifths of GDP growth. The advent of e-commerce and high-tech efforts to help far-flung consumers shop online and receive deliveries have helped improve domestic economic conditions in China.

In the interim, it is anticipated that the Chinese economy's demand for commodities could drop off, leading to a drop in prices for its trading partners, leading to potentially damaging impacts for commodity-exporting economies globally.

India

The Indian economy was constrained by weaker consumer demand and a reigning in of government expenditure. India's GDP growth during the year dropped slightly to 7% but is projected to hit between 7.3%-7.5% by the end of 2019 – maintaining its position as the fastest growing major economy in the world. However, growth is expected to become more volatile as the world's largest democracy enters into another 6 weeks election cycle with incumbent Prime Minister Narendra Modi

Most notably, the end of the year in review marked the beginning of another election cycle in the world's largest democracy as incumbent Indian Prime Minister Narendra Modi completes a 5



year term marked by some mixed results and undeniable trade, economic, and development gains. Given the rising geopolitical tensions in the region, and gauging by the impact which the Modi regime has had over the past 5 years in shaping regional economic, trade, investment and consumer dynamics, the consequences of the next election will also have far-reaching implications for the entire Asian region, as well as the global economy.

Global Tourism Industry

The global tourism industry recorded its second best year since 2010 in terms of arrivals growth. During the year in review, global tourism arrivals increased by 6% YoY to 1.4 Billion in 2018, clearly above the 3.7% growth registered in the global economy. Arrivals in the Middle East region consolidated its 2017 recovery, as international tourist arrivals to the region reaching 64 Million, reflecting a growth rate of 10% YoY. Arrivals across the African region increased by 7%YoY up to reaching an estimated 67 Million arrivals

Meanwhile, arrivals to the Asia Pacific and European regions grew at over 6% YoY growth, registering arrivals of 713 Million and 343 Million international tourist arrivals in 2018 respectively. Meanwhile, arrivals to North and South America rose

by 3% YoY up to 217 Million international arrivals in 2018.

It is notable to consider that the long term forecasts issued by the United Nations World Tourism Organisation (UNWTO) predicted that global tourism arrivals would only cross the 1.4 Billion mark only after the year 2020. The rapid pace of growth in arrivals overall therefore reflects a faster than anticipated growth rate, with the main drivers of increased arrivals being stronger economic growth, more affordable air travel, technological changes, new businesses models and greater visa facilitation around the world have accelerated growth in recent years.

Globally, tourism is well recognised for its key role in global economic activity, job creation, and as a source of export revenue and domestic value added. On average, tourism directly contributes 4.2% of GDP, 6.9% of employment and 21.7% of services exports to OECD countries while 1 in every 10 people is estimated to be employed in the tourism industry globally.

The global travel and tourism market is expected to reach US\$ 13.6 Trillion by 2027, expanding at a CAGR of 5.2% from 2019 to 2027. The market is segmented by regions into North America, Europe, Asia Pacific,

“ By comparison, tourist arrivals in 2017 increased by only 3.2% YoY where in the 2016, the growth rate stood at 14% YoY. Meanwhile, earnings from tourism grew by 11.6% YoY to US\$ 4.4 Billion in 2018 in comparison to US\$ 3.9 Billion in 2017. ”

Middle East & Africa (MEA), and South America.

Global travel industry gross bookings reached US\$ 1.6 Trillion in 2017, the industry's online travel sales are projected to reach US\$ 693.9 Billion in 2018, as compared with US\$ 629.8 Billion in 2017. Meanwhile, global in-destination activities industry poised to hit US\$183 Billion by 2020, in-destination activities represent an opportunity for hotels to connect guests to unique experiences and drive incremental revenue.

Tourism spending in Asia and Pacific in 2018 reached \$390 Billion and despite an economic slowdown in China, domestic tourists did not cut back on their trips overseas in 2018. Last year, Chinese travellers made a total of 140 Million outbound trips, up 13.5% YoY when outbound trips arrived at 129 Million, according to data from the China Tourism Academy (CTA).

Most notably, Chinese travellers continued to stand out as the highest spending travellers globally, averaging spends across 157 countries of more than US \$120 Billion, compared to US \$100 Billion in 2017.

Sri Lankan Economy

The Sri Lankan economy was subject to increasing global and domestic resulting in a modest expansion in real economic activity amidst a low inflation environment during the course of 2018. GDP growth was recorded at 3.2% in 2018, as compared with 3.4% previously, primarily supported by substantial growth in the services sector, which expanded at a rate of 4.7%YoY, supported significant expansions in financial services activities, wholesale and retail trade activities and transportation.

GDP growth also benefited from a significant recovery in the agriculture sector which posted growth of 4.8% in 2018 as compared with a contraction 0.4% observed in the previous year. This reversal was in the performance of the agriculture sector was attributable to the prevalence of significantly more favourable weather conditions during the year.

Meanwhile, the industries sector contracted by 0.9% - primarily arising from a slowdown construction, mining and quarrying activities during the year. This slowdown was further exacerbated by the tight monetary policy conditions during the year, which resulted in higher interest rates and cost of borrowing, which had the effect of discouraging investments into the sector.

The external sector of the economy was volatile during the year due to both global and domestic factors. Globally, monetary policy normalization, particularly in the United States of America (USA), resulted in global financial conditions tightening, thus causing capital outflows from emerging market economies and increased pressure on exchange rates of twin deficit economies, in particular.

Domestically, the national trade deficit surpassed US\$ 10 Billion for the first time in history, arising from a drastic expansion in in import spending, which outpaced increased earnings, which also hit record levels in nominal terms. These dynamics were amplified by unprecedented exchange rate volatility and a stagnation in worker remittances and despite a substantial increase service exports in 2018, all of which resulted in an increased current account deficit of 3.2 per cent of GDP during the year.

In 2018, the Central Bank followed a market based exchange rate policy and allowed a sharper depreciation of the rupee, but intervened in the domestic foreign exchange market, particularly at times when large capital outflows and undue speculation caused excessive volatility in the market.

MANAGEMENT DISCUSSION AND ANALYSIS

As part of measures to conserve foreign exchange reserves the government implemented a series of measures to curb non-essential imports by increasing tariffs, imposing margin requirements, tightening loan-to-value ratios on selected types of lending, and suspending the issuance of letters of credit on concessionary permits for vehicle imports.

Workers' remittances declined by 2.1% to US\$7 Billion in 2018, following the decline of 1.1% observed in the previous year. Consequently, the current account deficit is estimated to have widened to US dollars 2.8 Billion in 2018.

The exchange rate, which remained relatively stable in the first four months of 2018, came under significant pressure thereafter due to both domestic and external factors. The Central Bank allowed greater flexibility in the determination of the exchange rate while intervening only to curb unwarranted excessive volatility. Consequently, the Sri Lankan rupee depreciated by 16.4% YoY against the US Dollar in 2018, resulting from tight liquidity conditions in the domestic foreign exchange market as well as changing global financial market conditions.

Despite the sharp depreciation of the rupee against major currencies and transitory price pressures due to upward revisions to prices of domestic petroleum products and other administratively determined prices, both headline and core inflation remained subdued in 2018.

During the year in review, the Central Bank continued to maintain a neutral policy stance, only increasing the Standing Deposit Facility Rate (SDFR) by 75 basis points and SLFR by 50 basis points, while narrowing the policy rate corridor to 100 basis points. Accordingly, by end 2018, SDFR and SLFR stood at 8% and 9%, respectively. As the shortage in



rupee liquidity persisted into early 2019, the Central Bank reduced the SRR down to 5% effective 01st March 2019.

Gross official reserves, which reached the historically highest level of US\$ 9.9 Billion at end April 2018, moderated thereafter with foreign debt service payments and Central Bank intervention in the domestic foreign exchange market.

Among more concerning issues for the Sri Lankan economy was the continued increase in Government debt as a percentage of GDP increased to 82.9% by the end 2018 as compared with 76.9% in 2017 while the unemployment rate increased marginally to 4.4% in 2018 compared to 4.2% recorded during 2017. The other key limitation to the Sri Lankan economies performance during the year was the emergence of growing socio-political instability which manifested in an unprecedented domestic political crisis in October 2018.

The resultant uncertainty caused by these developments resulted in the temporary suspension of International Monetary Fund funding facilities, in addition to a downward revision on the country's sovereign ratings, and may have discouraged investment over the final

months of 2018 and into the final quarter of the financial year.

Sri Lankan Tourism Industry

Sri Lanka ended 2018 with 2.33 Million tourist arrivals, up by 10.3% YoY but falling short of the 2.5 Million Government target. By comparison, tourist arrivals in 2017 increased by only 3.2% YoY where in the 2016, the growth rate stood at 14% YoY. Meanwhile, earnings from tourism grew by 11.6% YoY to US\$ 4.4 Billion in 2018 in comparison to US\$ 3.9 Billion in 2017.

Given the country's stagnating remittances, tourism in 2018 increasingly held the potential to become Sri Lanka's single highest foreign exchange income earner. This rising prominence as an international tourist hotspot appeared cemented in 2018 with the declaration of Sri Lanka as the Top Destination for 2018 by Lonely Planet. The country's attractions also featured prominently in international travel and trade fairs, as well as benefitting tremendously from a surge in organic publicity generated by travel bloggers and reviewers visiting the country in 2018.

Notably, the performance of the industry was hindered by the political crisis that took place in October, just ahead of the



country's peak tourist season. The impact of this crisis was largely responsible for cancellations, and partially discouraged visitors to the country as some nations issued travel advisories, which likely played a significant role in Sri Lanka missing its arrivals targets for the year.

Sri Lanka has positioned itself as one of the best tourist destinations in the region with an annual average growth of tourist arrivals of over 20 per cent during the post conflict era compared to the low growth of around one per cent during 2000-2009. Further, during the post conflict period, the average daily spending by tourists has increased substantially while average duration of stay has also increased.

The government has introduced a comprehensive Tourism Strategic Plan (TSP) 2017-2020 identifying issues and policy reforms towards achieving a medium term target of US\$ 7 Billion tourist earnings by 2020.

In order to ensure that the industry remains sustainable, it is therefore vital to enhance tourism earnings. Sri Lanka has many diverse attractions spread all over the island, but there is no balanced or smooth flow of visitors to them, which disturbs the attractions as well as tourists.

The industry was also constrained by the higher policy rate position maintained by the Central Bank of Sri Lanka. Higher interest rates arising from this policy had the effect of discouraging investments into the refurbishment and upgrade of existing properties, which in turn would limit the wider industry's ability to attract higher-spending tourists to the country.

Higher volumes of tourists and increased room capacity island-wide has also inevitably resulted in concerning violations of environmental standards. These are problems which when not addressed, have tended to overwhelm iconic tourist destinations in competing nations like Thailand and Indonesia where entire locations have to be closed off to the public in order to help the natural eco-systems in those areas recover. As an organization we consider it imperative to ensure that Sri Lanka does not fall into the same trap. Consequently, TFR supports calls for stricter enforcement of environmental standards, and prudent evaluation of existing standards in a manner that ensures a sustainable future for Sri Lanka's rich natural heritage for future generations.

Multiple measures were discussed during the year in review as potential

solutions to the industry's challenges – ranging from providing facilities for advance online ticket booking with peak and off peak pricing, online information on crowd pressure, weather conditions and public transport systems in order to ease overcrowded attractions, such as Sigiriya, and national parks, such as Horton plains, Yala and Udawalawe. Improving public amenities at attractions, increasing accessible time and enabling night time visits were also mooted as potential solutions to the industry's challenges in 2018.

Another notable challenge in the industry that is a product of the success of Sri Lanka's booming post-war tourism industry – as well as the emergence of new patterns of behavior among customers who increasingly rely on online and social media based platforms to plan their holidays, make bookings and engage directly with hospitality providers – was the rapid increase in the development of the informal tourism sector. Consequently, occupancy levels in City Hotels and established properties in the formal hotel sector has been under pressure due to increased room inventory.

Operational Highlights

For over a decade, TFR has been at the focal point for the unfolding of an elegant and uniquely Sri Lankan style of coastal hospitality in the Koggala region, helping to drastically elevate hospitality and culinary standards in the region while providing guests and visitors to the area with timeless luxury and truly unforgettable holiday experiences.

Among Sri Lanka's premier luxury boutique resort hotels, TFR offers 53 guest rooms and suites, designed to reflect the colourful charm and sunny tranquility of the Koggala coast – which itself has emerged as one of the most picturesque destinations on Sri Lanka's Southern Coast. Over the recent past,

MANAGEMENT DISCUSSION AND ANALYSIS

“The resort provides the very best in culinary delights for guests, served daily at the White restaurant which offers everything from international and Sri Lankan cuisine to wood-fired Pizzas, and Indian Tandoori specialties”

the region has seen a massive upsurge in visitors and accommodations, and the area has been made more popular by its close proximity to other key destinations and attractions including the historic Galle Fort, turtle hatcheries and numerous other entertainment and holiday activities.

The resort provides the very best in culinary delights for guests, served daily at the White restaurant which offers everything from international and Sri Lankan cuisine to wood-fired Pizzas, and Indian Tandoori specialties, while the Duo (Surf & Turf) celebrates the experience of wine and fine dining in a memorable setting.

More recent additions to the resort's culinary portfolio include the Salty Snapper Seafood Beach Restaurant, serving all seafood with a breathtaking view of the blue ocean promises while the T-Lounge is open to quenches our guest's thirst, offering everything from high tea to an evening cocktail or a night cap. TFR's In-Room-Dining experience is another exceptional service second to none, and includes a personal butler service so that guests can choose to a delicious meal from the comfort of their room.

During the year in review, TFR continued to record an outstanding performance across all key performance indicators.

Total guest nights at TFR increased substantially from 22,799 in 2017 up to 25,427 guest nights during the year in review.

The resort's occupancy rates were further supported by the fact that the year in review marked the first full year of operations since major refurbishments to the property were completed. Consequently, average occupancy increased to 67% in 2018 as compared with 60% for 2017. Average room rates during the year rose to Rs. 36,520, against a previous Rs. 34,341.

In keeping with a well-established trend, the majority of visitors to the hotel over the year in review were primarily from Great Britain, with visitors from the country accounting for 50% of total guest nights at the hotel.

Sri Lankan travellers also continued to contribute substantially to the performance of the hotel, with 909 local guests staying at the hotel in 2018, as compared with 1,199 visitors in 2017 and 1,756 visitors in 2016. This declining trend has largely been attributed to the rapid escalation in competition for accommodation across the Southern coast, which in turn has provided domestic travellers – who are often among the most price conscious demographics in the country – with a

substantially wider array of competitively priced accommodations.

In terms of volume, our Australian guests accounted for the second largest number of visitors with 1,004 room nights in 2018/19, as compared with 484 in 2017/18 and 573 room nights in 2016/17, however during the year in review, they accounted for 8% of total room nights.

Despite lower volumes of Sri Lankans visiting the property, local travellers continued to represent a vital contribution to room nights sold rates, accounting for 7% of total room nights – the third highest by country.

Financial Highlights

The drastic improvement in TFR's occupancy rates combined with improved average room rates, and a larger volume of walk-in guests from the surrounding area seeking to sample TFR's diverse and rich culinary offerings and entertainment helped drastically bolster the group's financial performance

During the year in review, this was reflected firstly in a substantial expansion of TFR's turnover, which expanded from Rs. 674.3 Million up to Rs. 793.7 Million. Room revenue during this period increased to Rs. 474 Million in 2018/19, as compared with Rs. 399.8 Million in 2017/18 while food revenue increased from

Rs. 156.3 Million up to Rs. 185.8 Million and beverage revenue rose from Rs. 59 Million up to Rs. 72 Million. Similarly, the property's Spa revenue also recorded notable improvements, rising from Rs. 23.7 Million up to Rs. 23.9 Million during the same period.

Meanwhile, total assets increased from Rs. 1.96 Billion up to Rs. 2.1 Billion while total borrowings contracted from Rs. 22 Million down to Rs. 19 Million, reflecting reduced investment expenditure following the completion of major refurbishments at the property over the past three years.

Operating costs during the year increased marginally to Rs. 587.5 Million, as compared with a previous Rs. 542.5 Million, with a primary contributor being the increased cost of imported items, including food, ingredients and alcoholic and non-alcoholic beverages and staff pay roll.

Consequently, TFR concluded the year in review with a Profit After Tax (PAT) Rs. 209 Million, as compared with Rs. 140.6 Million in the previous year, while earnings per share rose from Rs. 1.27 up to Rs. 1.89 per share.

Easter Attacks

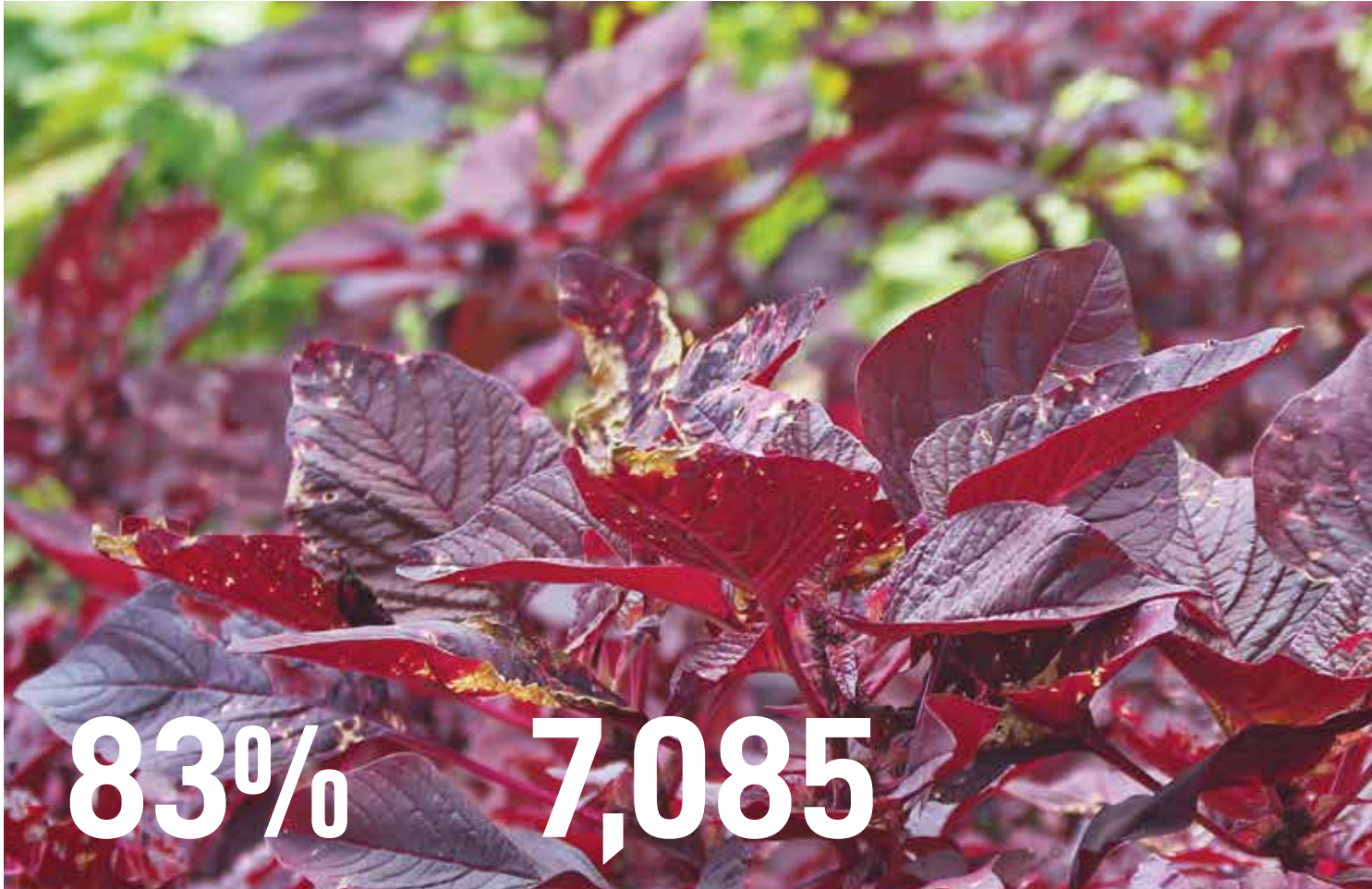
While the Sri Lankan tourism industry appeared poised for a year of unprecedented growth at the end of the 2018 financial year, the entire nation including the tourism, travel and hospitality industry was shocked by the terrorist attacks of Easter Sunday against three Christian churches and three of the country's most prominent Colombo City Hotels. All employees of TFR join together with its senior management and Chairman in mourning for the tragic and senseless loss of life, and stand in solidarity with all of who have been impacted by these cowardly attacks.

In the aftermath, 257 lives were lost while and many hundreds more injured. As at the time of publication of this report, the nation is still in a state of heightened threat alert, and the ramifications of these attacks for survivors, and all Sri Lankans are challenging and deeply uncertain. The tourism industry too has suffered severe disruption as cancellations of existing flight bookings surged 86.2% whilst new bookings fell away while net hotel bookings dropped a staggering 186% on average over the week following the attacks compared to the same period last year. Cancellation rates at hotels across the country averaged 70% in the following weeks.

As noted by our Chairman and Managing Director, it is imperative that every possible measure is taken to stringently evaluate and overhaul all security protocols in public places. The tourism industry too must take every possible measure to enhance security. In that regard, TFR pledges its utmost commitment to ensuring the security of guests and staff at all times. Extensive measures have already been implemented to comprehensively strengthen security across the hotel, while further investments are being planned and will be made swiftly as and when necessary.



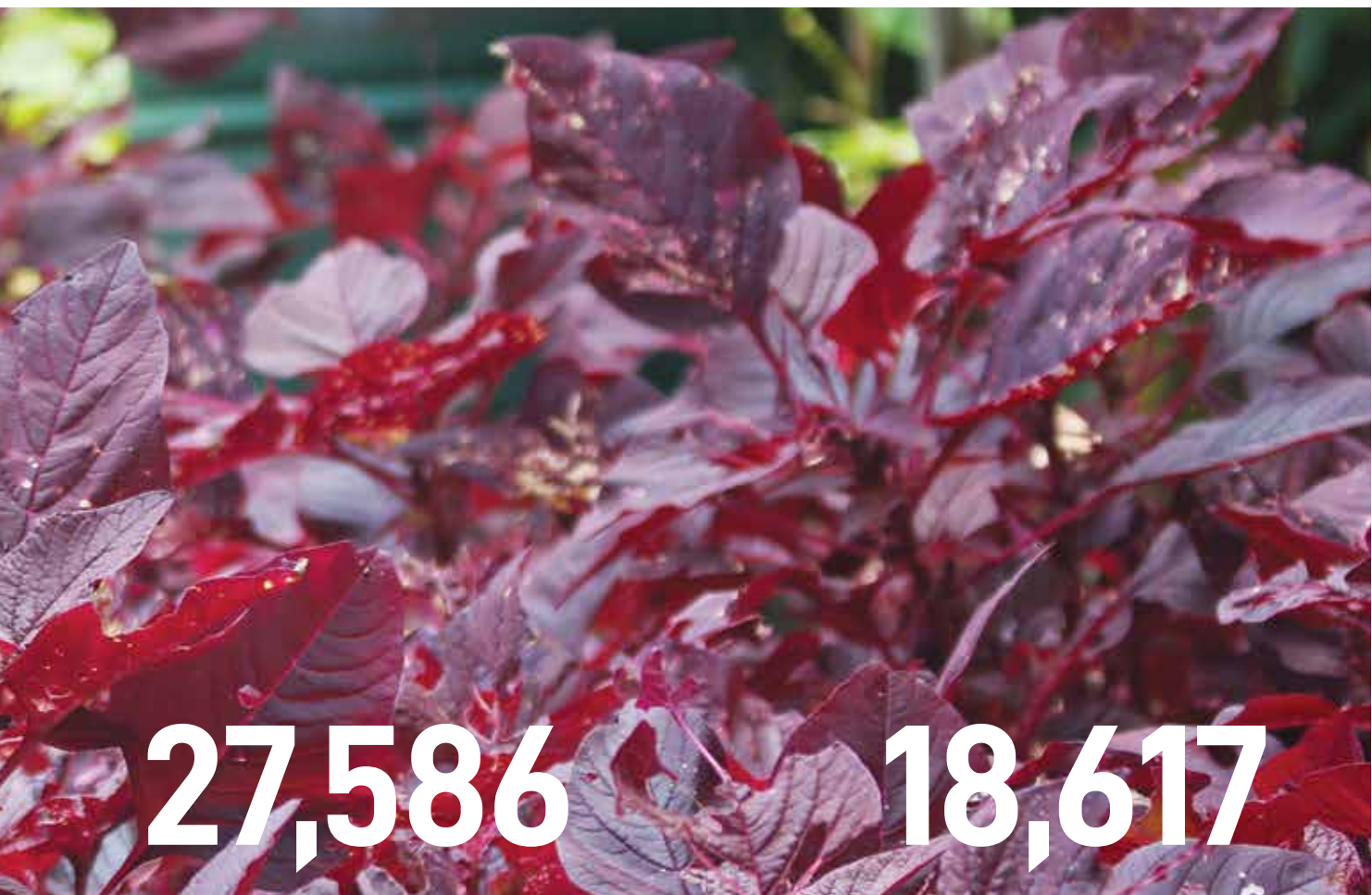
SUSTAINABILITY REVIEW



Customer Survey Insight

Reduction in Water Consumption (CBM)

“Another crucial factor underpinning the strength and stability of TFR has been its commitment to upholding the strictest applicable standards of corporate governance. To that end, TFR continues to channel substantial resources towards comprehensively documenting and transparently reporting all of its activities in a manner that ensures an open and honest dialogue to shareholders and stakeholders.”



Reduction in Electricity Consumption (Kwh)

Reduction in Diesel Consumption (L)



SUSTAINABILITY REVIEW

Scope of Reporting

This is the 6th 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 2019. The Company profile data reflects figures at the end of the financial year of 31 March 2019. 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 2019.

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.

During the year in review, TFR continued to channel resources towards long-standing initiatives aimed at promoting the economic, social and environmental sustainability of its operations in a manner that responsibly balances the needs of all stakeholders.

The company adopts an approach of continuous improvement to these initiatives, while constantly exploring new opportunities to further enhance sustainability while 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.

Guided by these deeply engrained values and principles, TFR has continuously enhanced its sustainability framework in order to ensure the constant evolution of its strategies in order to keep pace with the changing needs of our business and the environment we operate within.

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



Water consumption (Liters, 000')



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 organizational strategy that is geared towards sustainability, the Group's immediate priority has been to ensure that its business model and processes are managed in a manner that will ensure that our business model maintains and enhances financial viability. As a leader in the domestic hospitality industry, this continuity is primary accomplished through ensuring of a consistent and peerless service delivery.

As detailed in the Operational and Financial Highlights of the Management Discussion and Analysis chapter of this Report, the year in review represented some of the strongest financial performances of the company to date.

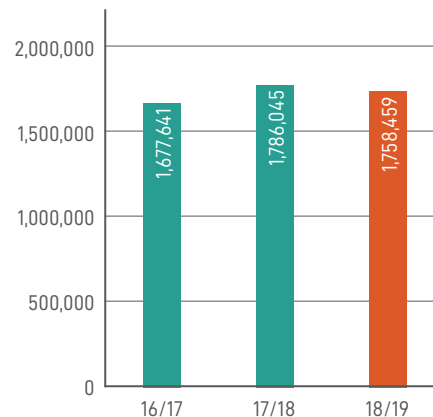
These achievements were made possible through inter alia a proactive investment strategy – which over the past three years was focused on an extensive refurbishment of all key locations within the resort. Major refurbishments were completed, during the year in review, with the successful renovation of several beach rooms. This included replacement of furniture including wardrobes, minibar cabinets, bed heads, sofa beds and new mirror frames for all beach rooms.

Additionally, TFR also converted two beach-facing rooms into joint family units with interconnecting doors with a view to catering to increased demand for large family accommodations. Total investments on these modifications stood at Rs. 30 Million, while further Rs. 50 Million has been allocated for the refurbishment of a further 22 beach rooms during coming financial year.

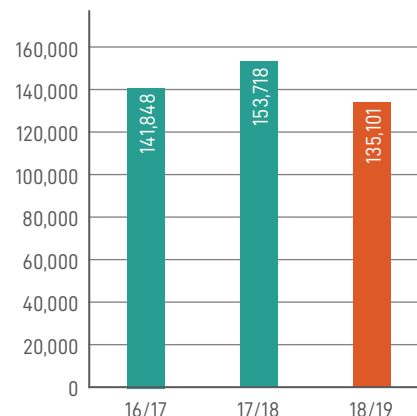
Awards and Guest Reviews

Despite an increasingly competitive domestic market TFR continued to enhance its legacy as one of the country's premiere luxury boutique resorts. Backed by an unwavering commitment to every face of operations, a sound business plan and strict oversight into service quality, TFR was once again able to demonstrate its superior offering by securing numerous international accolades combined with an outstanding record for guest satisfaction. During the year hotel has received a total of 1,785 guest comments on Trip Advisor, of which 1,325 gave excellent reviews.

Electricity Consumption (Kwh)



Diesel consumption (Liters)



SUSTAINABILITY REVIEW

Award Name	Received for	Award valid for	International / Local
Conde Nast Johansens	Excellence Award for Best for Luxury Value 2019	2019	International
Trip Advisor	Traveller's Choice Award Winner of Top 25 Hotels – Sri Lanka (7 th)	2019	International
Trip Advisor	Traveller's Choice Award Winner of Top 25 Hotels for Romance – Sri Lanka (10 th)	2019	International
Trip Advisor	Traveller's Choice Award Winner of Top 10 Luxury Hotels in Sri Lanka (10 th)	2019	International
Trip Advisor	Traveller's Choice Award Winner of Top 25 Hotels for Service – Sri Lanka (15 th)	2019	International
Agoda	Gold Circle Award	2018	International
Booking.com	Guest Review Awards	2018	International

Moving forward into the new financial year TFR has also set in motion plans to obtain ISO 22000 standard on food safety management.

Marketing and Promotion

A further pillar of the continued economic sustainability of TFR is found in the hotel's approach to marketing and promotion. Maintaining visibility in international markets – particularly key source markets for Sri Lankan tourism – is vital to constantly enhancing the ability of TFR to attract new high-spending guests, while reminding all those who have already had the pleasure of holidaying at our resort about the unforgettable experiences, unmatched value, and pristine luxury of TFR as a brand.

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	Participants	Remarks
1	21 – 24 May 2018	ILTM Asia Pacific Fair	Singapore	Mr. Imran Mannan Business Development Manager Mr. Jan van Twest Director/General Manager	Sponsored by SLH
2	25 – 28 June 2018	Private Luxury Forum	St Moritz Switzerland	Represented by Ms. Carlotta D'Innella Senior Sales Manager EMEA, SLH	Sponsored by SLH Couriered 20 Nos. Fortress Brochures + 20 Nos Pendrives + DGM/BDM Visiting Cards
3	18 September 2018	Pure Luxury Workshop 2018	Moscow, Russia	Represented by Mr. Srinivasan Reddy	Sponsored by Luxury Travel Services Worldwide Czechoslovakia
4	05 – 07 Nov. 2018	World Travel Market, London	London, UK	Mr. Imran Mannan Business Development Manager Mr. Jan van Twest Director/General Manager	Sponsored by SLTPB
5.	07 – 11 Mar 2019	ITB Berlin	Germany	Mr. Jan van Twest Director/General Manager	Sponsored by SLTPB
6.	11 March 2019	Access Luxury Travel Show	Prague, Czech	Represented by Mr. Srinivasan Reddy	Organized by Access Luxury Travel Show, Prague

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.

Corporate Governance

Another crucial factor underpinning the strength and stability of TFR has been its commitment to upholding the strictest applicable standards of corporate governance. To that end, TFR continues to channel substantial resources towards comprehensively documenting and transparently reporting all of its activities in a manner that ensures an open and honest dialogue 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. 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

IT Investments

During the year in review, TFR invested Rs. 1.6 Million towards the upgrading of hardware and software infrastructure, while a further investment of Rs. 6 Million has been allocated for the upgrade of the hotel's OPERA PMS system and related hardware in the next financial year.

Training and Skills Development

Another pivotal factor that serves to bolster the economic sustainability and continuing outstanding success of TFR is its people. 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.

Our philosophy towards our employees is based on the fact that we view every investment towards honing the skills of anyone who works at our property to be not just a short-term, but a long term investment in the betterment of our own property, and that of the wider industry. A culture of excellence can only be maintained and enhanced by its people

These efforts were focused on extensive training at every level of the organization, facilitated by cumulative investment of Rs. 1.5 Million towards employee training together with a further investment of Rs. 19.6 Million on staff welfare which included meals, uniforms, medical insurance, transport and cost of maintaining staff accommodations and comprehensive range of other benefits.

The main training initiatives taken over the year comprised of English training program for the front line staff during the off season from May to November 2018. A total of 40 front line staff members were provided training made possible by an investment of Rs. 115,000.

Frontline and F&B staff were also provided with training in creative sales, conducted by Mr. Prasanna Perera, for which 25 staff members participated, facilitated by an investment of Rs. 35,000.

The hotel was also able to train 8 butlers in the Food & Beverage department and program went for almost 14 days as part of a specialized programme by internationally renowned trainer for Australian Butlers Academy, Mrs. Pamela Spruce.

Further training programmes were also carried out supervisory level staff members by reputed hotel trainer Mr. Nihal Weerasinghe, whose portfolio of work includes high-profile consultancies with globally famous brands of the highest caliber. The program was mainly focus on up selling techniques and beyond 5 star services with 50 staff members for which TFR invested a total of Rs. 250,000.

Specialized training was also provided to 2 finance team members who participated in a session on import procedures conducted by Ceylon Chamber of Commerce. Additionally, the hotel dispatched 2 of its maintenance staff members for training on electrical wiring conducted by the Cetrac Training Institute. Meanwhile, 5 spa staff members were sent for a special training course conducted by the Export Development Board while a total of 50 staff members were given detailed in-house first aid training conducted by St. John's Ambulance Services.

SUSTAINABILITY REVIEW

“Our philosophy towards our employees is based on the fact that we view every investment towards honing the skills of anyone who works at our property to be not just a short-term, but a long term investment in the betterment of our own property”

We also continued to maintain our relationship with the Ceylon Hotel School here in Koggala and NAITA, providing slots for 10-15 trainees seeking 6 month work experience programmes as part of their curriculum.

This programme has over the years yielded some of our best and most promising recruits and we consider it an invaluable opportunity for mutual benefit, while planting the seeds for a future generation of leaders to carry this industry forward.

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.

Over the past three years, TFR has sponsored the operations of a nearby turtle hatchery, in addition to providing the facility with vital infrastructure and free WIFI facilities. The hatchery is also promoted to hotel guests along with information on turtle conservation and the unique wealth of marine biodiversity

which Sri Lanka is home to that makes it such an important habitat for multiple species of sea turtles.

We also place great importance on the implementation of any feasible measures capable of reducing and mitigating the environmental footprint of TFR's operations. Having first achieved Green Globe Certification in 2017, we are proud to note that the stringent standards that were implemented in relation to the consumption and use of plastic products and packaging have been strictly adhered to during the year in review.

Moreover, TFR also completely eliminated the use of plastic straws which were replaced with paper straws while polythene bags were partially replaced with paper bags and completely phased in by the end of the next financial year. Additionally, measures are also underway to phase out all halogen lamps in favour of energy efficient LED lights, with most having been installed during the year in review.

Meanwhile, efforts to optimize electricity and water consumption have also yielded tremendous results for the TFR. Our solar panel project has helped the resort save approximately 18,000 litres of diesel while the installation of water conserving taps has saved over 8,000 cubic meters of water consumption.

TFR's long running organic garden programme also continues to stand as a resounding success. During the year in review, we increased our investment towards the project up to Rs. 306,240 for which we were able to produce a yield of Rs. 378,705 worth of clean, fresh, and organic fruits and vegetables for use in hotel kitchens and guest rooms.

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.

Social Sustainability

The third pillar of the Group's sustainability initiatives is based on concepts of social equity and social inclusiveness, and have been designed to align with United Nations Sustainable Development Goals around reducing inequality within countries, alleviating poverty, promoting education, gender equality and encouraging lifelong learning opportunities.

During the year in review, TFR continuously engaged with local communities, through regular programmes like the hotel's donation of school books to children of its employees – a programme that was first initiated

in 2006. In 2018, this programme was expanded with the donation of Rs. 350,000 worth of school books and essential supplies.

We also work to support local art and culture, with the resort regularly hosting a Sri Lankan night that puts the spotlight on traditional drummers, dancers and musicians, while the hotel ensures that each performer and artist is guaranteed a fair and reasonable standard of pay, while working to facilitate any opportunities for guests to engage with performers and learn more about Sri Lankan arts, craft, and culture while potentially opening up further business opportunities for our local performers.

Additionally, while maintaining its own luxury vehicle fleet, TFR continues to work in close partnership with local communities and Tuk Tuk associations, linking them up with guest excursions in order to provide visitors with a unique and locally flavored travel experience while creating more opportunities for business for drivers in the locale. During the year under review the Hotel was able to leverage this arrangement to provide local Tuk Tuk drivers with 2,443 hires that were worth a collective Rs. 9.8 Million, where in the previous year, drivers were provided with 2,212 hires worth approximately Rs. 10.5 Million.

RISK MANAGEMENT

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

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

The Board assumes responsibility for ensuring the effectiveness of the Group's risk management and system of internal control and has entrusted the Board Audit Committee with the task of reviewing the processes, assessing adequacy and ensuring effectiveness.

The risk management team systematically monitors existing and potential risk by working with risk owners to refresh risk registers, validate risks for continued relevance, identify emerging risks and priorities all risks in terms of financial impact and likelihood of occurrence. Existing controls are assessed as well as the ability, benefit and cost to improve them. The review team and externally sourced Internal Auditors are separately responsible for providing assurance, identifying lapses and proposing new or improvements to existing internal controls in the hotel and provide reports on the internal control

framework to the Audit Committee. This ensures the separation of duties between the risk management and internal audit functions thereby supporting good governance.

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

Risk Management Framework

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

The risk management team comprising of the Chief Financial Officer, functional and operational managers take responsibility for the early identification of potential risks. Risks are identified at hotel level through various means including intelligence gathering, quality audits, risk management assessments and internal audits. They are also identified as a result of incidents customer insight surveys and assessments. Those risks having a catastrophic impact on the organization, but may have a very low or zero probability of occurrence are referred to as core sustainability risks. These are risks that threaten the sustainability or long term viability of a business and are typically risks stemming from our impact on the environment or society that will have an eventual negative impact on the longevity of our business operations.

Identified risks are recorded on the risk register of the company. They are thereafter analyzed and ranked on a scale of 1 to 5 based on their likelihood of occurrence and impact to the business. Following a process of obtaining the input of all concerned, several options are identified and appropriate risk management measures such as acceptance, mitigation, transfer or control of particular risks had been properly monitored. Action plans are reviewed at appropriate levels in the organizational structure and escalated either to drive action or to develop a common solution and implemented along with measures to continuously monitor the effectiveness of same.

By adopting this framework, the Group is able to maintain and develop risk management strategies to assess and control individual types of risk while developing guidelines, raising awareness levels and training staff on the use of controls and systems in order to manage and mitigate existing risk as well as detecting emerging risk. The hotel has maintained insurance at levels determined by it to be appropriate in relation to the cost of cover and the risk profile of the property.

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

Risk Environment and Risk Profile

The leisure industry in Sri Lanka was characterized by strong overall growth in tourist arrivals. This growth rate was static up to 2016 and however, evidence

of the possible impact of the recession in Europe was seen in the drop in tourist arrivals from the European markets. On the other hand, strong growth in tourist arrivals was recorded from the East, with China and India demonstrating rapid growth. The biggest risk faced by the operations in 2018 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 place towards end of the financial year 17/18 remaining throughout the financial year 18/19 and risk exposure and the profile of the group did not change significantly last year. A review of the key risks that could materially affect the hotel with the control measures and action plans implemented to mitigate them are set out.

Risk category and description	Potential Impact	Control Measures and Action Plans to Mitigate Risk.
Strategic Risk : Market Share		
Loss of market share in a high growth environment or industry over capacity.	Reduction in market share and loss of revenue.	<ul style="list-style-type: none"> The company adopts a policy of refurbishing the hotel whenever necessary (14 beach rooms were fully renovated with new interior during the year) and refreshing the themes of hotel's food & beverage offerings. Considering the expansion options available at the moment through strategic new investments. Innovating and trend setting while benchmarking with global competition. Obtained crowns for food hygiene in 2015 and continuing the same for the future. Obtained good manufacturing process (GMP) certificate from SLSI last year and continue the same during the year.
Business Risk		
The inability of the Hotel to achieve its business objectives.	<p>Adverse impact on planned profitability and cash flows.</p> <p>Availability of affordable credit</p> <p>Increase in operating and assets replacement costs due to fluctuation in exchange rates.</p>	<ul style="list-style-type: none"> Corporate plans are formulated on annual basis and formally approved by the Board. These plans are thereafter monitored and reviewed by the Board on an ongoing basis. Implementation of stringent cost control procedures and innovative cost saving initiatives at the hotel level. Ongoing review of cost and expenditure by operational and finance staff to determine appropriate revision of rates and tariffs.
Statutory & Legal Risk		
<p>Implications that arise due to non-compliance with regulatory requirements.</p> <p>Risk of litigations from guests, customers, suppliers, associates and regulatory authorities.</p>	<p>Loss which may arise due to non-compliance with statutes.</p> <p>Enhanced incidence and potential exposure due to proposed legislation</p> <p>Loss arising from flawed contracts.</p>	<ul style="list-style-type: none"> Statutory returns including taxes are regularly monitored, reviewed and scrutinized by the Chief Financial Officer. Compliance audits are included in the scope of the internal audit program. A comprehensive financial and operational checklist is reviewed by senior management on a monthly basis. Active engagement with industry advisory and policy making bodies to articulate concerns and make representations upon invitation. Continuous review and development of information systems which detect and report deviations.

RISK MANAGEMENT

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

Risk category and description	Potential Impact	Control Measures and Action Plans to Mitigate Risk.
Brand Equity and Reputation		
Any event that could undermine the brand equity and the reputation of the hotel and/or failure to sustain the appeal of the hotel brand to its customers.	<p>Decline in customer base, loss of market share, market penetration and ability to develop the business</p> <p>Inability to maintain room rate differentiation and competitive advantage</p> <p>Erosion in confidence may damage sustainability of hotel business</p>	<p>Although same factors are beyond its control, the hotel adopts the following approaches to mitigate these risks.</p> <ul style="list-style-type: none"> • Innovative service in keeping with brand promise. • The hotel ensures that key managerial positions are held by suitably qualified and trained staff with sufficient experience in the hotel industry. • Ongoing attention to environment, health and safety concerns by obtaining appropriate recognised quality certification standards. • Hotel operation is monitored against and guided by the Standard Operating procedures (SOP). • Continuous monitoring and review of on-line customer reviews and ratings.
Personnel		
The risk of losing highly skilled staff and key personnel due to industry growth, inappropriate labor.	<p>Inability to maintain quality standards and meet guest expectations.</p> <p>Higher operational cost and loss of business</p>	<ul style="list-style-type: none"> • Identification of talent pool for succession planning. • Structured training arising from performance appraisal process. • Developing a spirit of unity by organizing associate gatherings to celebrate staff birthdays, outings, sport days, family get-togethers and religious and cultural festivals • Recognizing superior performance by presenting certificates and cash rewards to honor and reward associates.
Technology and data protection Risk		
Failure to keep pace with developments in the technology could impair our competitive position and operations	<p>Adverse impact on efficiency of operations, guest satisfaction and loss of competitive advantage.</p> <p>Additional investment in new technologies/systems to remain competitive.</p>	<ul style="list-style-type: none"> • The IT division of the hotel has implemented procedures to safeguard the computer installations of the hotel to ensure continuity of operations. • Reservation and property management system upgraded for greater alignment with business needs making it easier to respond to changes in business strategy. • Business continuity and disaster recovery plans have been place in line in case for any emergency situations. Developed plans are already submitted to the internal auditors for their review.
Internal operational process		
Risk of financial loss due to breakdown in internal controls.	Disruption of operations , loss of profits and ineffective use of assets and resources	<ul style="list-style-type: none"> • Clearly defined systems and procedures are in place to ensure compliance with internal controls, which are monitored and reviewed for their continued efficiency and effectiveness. • An outsourced internal audit firm regularly reviews and provides assurance on the adequacy of the hotel's financial and operational systems. Their scope also covers regulatory and statutory compliance. • Quarterly confirmation of compliance with financial, operational and sustainability procedures and requirements. • A formal process in place to review and monitor internal audit findings.

RISK MANAGEMENT

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

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

In conclusion, the Board is pleased to confirm that a process for identifying, evaluating and managing significant risks that endanger the achievement of the strategic objectives of The Fortress Resorts PLC and its Subsidiaries have been in place throughout the year in accordance with the guidelines set out by the Institute of Chartered Accountants of Sri Lanka and industry best practice.

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

The Directors of The Fortress Resorts PLC have pleasure in presenting their Annual Report together with the Audited Financial Statements of the Company and the Consolidated Financial Statements of the Company and its subsidiaries, La Forteresse (Private) Limited and Summer Season Mirissa (Pvt) Ltd for the year ended 31 March 2019.

General

The Fortress Resorts PLC was incorporated on 29 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 9 December 2003.

On 13 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 subsidiaries, La Forteresse (Private) Limited, which provides lodging, food, beverage and other hospitality related services.

In December 2016, La Forteresse (Private) Limited invested in a land at Thalarambe, Weligama to build a 92 roomed hotel, under the name Summer Seasons, Mirissa, which is still in the planning stage.

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

Financial Statements

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

Auditors' Report

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

Accounting Policies

The Financial Statements of the Company and Group have been prepared in accordance with the revised Sri Lanka Financial Reporting Standards (SLFRS/LKAS) and the accounting policies adopted thereof are given on pages 76 to 100 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. K D H Perera	- Managing Director
Mr. Jan P Van Twest	- Director / General Manager

Non-Executive Directors

Mr Dhammika Perera	- Chairman
<i>(Alternate Director Ms. Kawshi Amarasinghe)</i>	
Mr L T Samarawickrama	- Deputy Chairman
<i>(Alternate Director - Mr H Somasantha)</i>	
Mr J A S S Adhihetty	- Director
Mr W A C J Wickramasinhe*	- Director- Resigned w.e.f. 19.09.2018
Mr Malik J Fernando	- Director
<i>(Alternate Director Mr. A H Nalintha Rodrigo appointed w.e.f. 04.01.2019)</i>	
Mr Merrill J Fernando	- Director
Mr S Senaratne*	- Director- Resigned w.e.f. 11.12.2018
Mr L N de S Wijeyeratne*	- Director
Mr D E Silva	- Director
Mr. Chatura V Cabraal*	- Director
Mr. C U Weerawardane*	- Director- Appointed w.e.f 19.09.2018
Mr. R E U de Silva *	- Director- Appointed w.e.f 10.12.2018

**Independent Non-Executive Directors*

In terms of Article 84 of the Articles of Association Messrs Malik J Fernando, D E Silva and Chatura V Cabraal retire by rotation and being eligible are being recommended by the Board for re-election at the forthcoming Annual General Meeting. Messrs C U

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

Weerawardane and R E U de Silva who were appointed as Directors during the year will hold office until the Annual General Meeting and being eligible are recommended by the Directors for re-election in terms of Article 91 of the Articles of Association of the Company.

Mr. 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 89 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 Subsidiaries

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 J A S S Adhihetty - Managing Director
Mr Malik J Fernando - Director
Mr Merril J Fernando - Director
Mr L T Samarawickrama - Director
Mr G A R D Prasanna - Director

The names of the Directors of the subsidiary Summer Season 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 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 23 to the Financial Statements.

Directors' Remuneration

The Directors remuneration is disclosed under Key Management Personnel of the Company in Note No 23.2.1 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 2019 amounted to Rs 1,108,866,840/- represented by 110,886,684 shares.

Directors' Shareholding

The relevant interests of Directors in the shares of the Company as at 31st March 2019 are as follows:

	Shareholding as at 31/03/2019	Shareholding as at 31/03/2018
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 Wickramasinha* (Resigned w.e.f. 19.09.2018)	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* (Resigned w.e.f. 11.12.2018)	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. Chatura V Cabraal*	Nil	Nil
Ms. Kawshi Aramasinghe (Alternate Director to Mr. Dhammika Perera)	Nil	Nil
Mr. C U Weerawardane * (Appointed w.e.f 19.09.2018)	Nil	-
Mr. R E U de Silva * (Appointed w.e.f 10.12.2018)	Nil	-
Mr. A H N Rodrigo (Alternate Director to Mr. Malik J Fernando)	Nil	-

* Independent Non-Executive Directors

Messrs Dhammika Perera, J A S S Adhihetty and L N de S Wijeyeratne are Directors of L B Finance PLC, which held 4,051,100 shares as at 31st March 2019.

Messrs Dhammika Perera is a Director of Royal Ceramics Lanka PLC which held 336,100 shares as at 31 March 2019.

Messrs Dhammika Perera and J A S S Adhihetty are Directors of Vallibel One PLC which held 19,977,345 as at 31 March 2019.

Messrs Merril J Fernando and Malik J Fernando are Directors of MJF Holdings Limited, which held 28,616,411 shares as at 31 March 2019.

Mr. Dhammika Perera is also a Director of Vallibel Leisure (Private) limited which held 24,417,932 shares as at 31 March 2019.

Major Shareholders, Distribution Schedule and Other Information

Information on the twenty largest shareholders, public holding, distribution of shareholding and ratios and market price information (as applicable) are given on pages 103 and 104.

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. 880,000/=) for the year under review.

The Auditors have also provided non-Audit services and the fee payable therefore amounts to Rs. 70,995 (Group - Rs. 175,382) for the year under review.

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

Donations

The Company did not make any donations during the year under review. (The donations made by the subsidiary, La Forteresse (Pvt) Ltd amounted to Rs. 142,876/=)

Dividend

The Directors have recommended a final dividend of Rs.1/- per share for the year under review subject to obtaining a certificate of solvency from the Auditors and to be approved by the shareholders of the forthcoming Annual General Meeting. As required by section 56 of the companies Act the Directors have certified that they are satisfied that the Company would meet the solvency test requirement under section 56(2) of the companies Act No. 7 of 2007 immediately after the said distribution.

The said dividend will subject to the approval of the shareholders, be payable on the 7th market day from the date of the Annual General Meeting.

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 46 to 50 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 Season 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

The Annual General Meeting will be held on 27th June, 2019 at 11.00 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 105.

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



Dhammika Perera
Chairman



K D H Perra
Managing Director



Anusha Wijesekara
P W Corporate Secretarial (Pvt) Ltd
Secretaries

15 May
Colombo

CORPORATE GOVERNANCE

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

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

Board of Directors

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

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

Composition of the Board of Directors

The Board comprises Twelve (12) members (of whom three 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 51.

The Board has determined that four Directors are 'independent' as per the Listing Rules of the Colombo Stock Exchange; such Directors being Mr. L N de S Wijeyeratne, Mr. Chatura V Cabraal, Mr. C U Weerawardane, and Mr. R E U de Silva.

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 2 March 2018.

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 31 March 2019, four (04) meetings of the Board were held. The attendance at the meetings was:

Name of Director	Executive/Non-Executive/ Independent Non-Executive	Attendance
Mr. Dhammika Perera	Non-Executive	03/04
Mr. L T Samarawickrama	Non-Executive	02/04
Mr. K D H Perera	Executive	00/04
Mr. Jan P Van Twest	Executive	04/04
Mr. J A S S Adhihetty	Non-Executive	04/04
Mr. W A C J Wickramasinghe	Independent Non-Executive	02/04*
Mr. Malik J Fernando	Non-Executive	00/04
Mr. Merril J Fernando	Non-Executive	00/04
Mr. S Senaratne	Independent Non-Executive	01/04**
Mr. L N de Silva Wijeyeratne	Independent Non-Executive	03/04
Mr. D E Silva	Non-Executive	04/04
Mr. Chatura V Cabraal	Independent/Non-Executive	04/04
Mr. C U Weerawardane	Non-Independent Non-Executive	02/04***
Mr. R E U De Silva	Independent/Non-Executive	00/04****
Mr. Haresh Somashantha (Alternate Director to L T Samarawickrama)		00/04
Ms. Kawshi Amarasinghe (Alternate Director to Mr. Dhammika Perera)		01/04
Mr. A H N Rodrigo (Alternate Director to Mr. Malik J Fernando)		01/04*****

*Resigned w.e.f 17.09.2018

**Resigned w.e.f. 04.12.2018

*** Appointed w.e.f. 19.09.2018

**** Appointed w.e.f. 10.12.2018

***** Appointed w.e.f. 04.01/2019

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 namely the Audit Committee, Remuneration Committee and the Related Party Transaction Review Committee.

Audit Committee

The Audit Committee consists of three (03) Non-Executive Directors, two (02) of whom are Independent Directors. It is chaired by Mr. L N de S Wijeyeratne, who is a Fellow member of the Institute of Chartered Accountants of Sri Lanka.

The Senior Management attends the meetings by invitation.

Remuneration Committee

The Remuneration Committee consists of three (3) Non-Executive Directors, two of whom are Independent Directors. Mr. W A C J Wickramasinghe is the Chairman of the Remuneration Committee (resigned w.i.f. 19.09.2018) and Mr. S Senaratne (resigned w.i.f. 11.12.2018) 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. Mr. J A S S Adhihetty has been appointed as the chairman of remuneration committee w.i.f. 15 May 2019 and Mr. R E U De Silva appointed as a member of the committee w.i.f. 15 May 2019.

Related Party Transaction Review Committee

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

The Management

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

Financial Reporting

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

The Statement of Directors' Responsibilities for the Financial Statements is given on page 64 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 DiriSavi Board of the Colombo Stock Exchange, the unaudited provisional

CORPORATE GOVERNANCE

quarterly statements of accounts are forwarded to the Colombo Stock Exchange in compliance with the Listing Rules of the Colombo Stock Exchange.

Auditors

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

Statutory Payments

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

By Order of the Board
The Fortress Resorts PLC



P W Corporate Secretarial (Pvt) Ltd
Director / Secretaries

15 May 2019

Compliance with Continuing Listing Rules - Check List

Compliant



Non Compliant














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

CORPORATE GOVERNANCE

Rule No	Subject	Applicable requirement	Compliance Status	Applicable section in the Annual Report
		The Chairman of the Audit Committee or one member should be a member of a professional accounting body.	<input checked="" type="checkbox"/>	Audit Committee Report
7.10.6 (b)	Audit Committee Functions	Should be as outlined in the Section 7 of the listing rules	<input type="checkbox"/>	Audit Committee Report
7.10.6 ©	Disclosure in the Annual Report relating to Audit Committee.	a) Names of the Directors comprising the Audit Committee. b) The Audit Committee shall make a determination of the independence of the Auditors and disclose for such determination. c) The Annual Report Shall contain a Report of the Audit Committee setting out of the manner of compliance of the functions.	<input checked="" type="checkbox"/>	Corporate Governance and the Audit Committee Report.

Adoption of Joint Code of Best Practise Checklist

Code Ref.	Compliant Subject	Non Compliant Applicable Requirement	Adoption Status	Applicable Section in the Annual Report
A.1 DIRECTORS - Board				
A.1.1	Frequency of Board Meetings	Board should meet regularly, at least once in every quarter	<input checked="" type="checkbox"/>	Corporate Governance / AR of the BOD
A.1.2	Responsibilities of the Board	Formulation and implementation of strategy. 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	<input type="checkbox"/>	Corporate Governance
A.1.3	Access to professional advice	Procedures to obtain independent professional advice	<input type="checkbox"/>	
A.1.4	Company Secretary	Ensure adherence to board procedures and applicable rules and regulations Procedure for Directors to access services of Company Secretary	<input type="checkbox"/> <input checked="" type="checkbox"/>	
A.1.5	Independent Judgement	Directors should exercise independent judgement on issues of strategy, resources, performance and standards of business judgement.	<input checked="" type="checkbox"/>	Annual Report of the Board of Directors
A.1.6	Dedication of adequate time and effort by Directors	Directors should devote adequate time and effort to discharge their responsibilities to the Company satisfactorily.	<input type="checkbox"/>	
A.1.7	Training for Directors	Directors should receive appropriate training on, skills and expand knowledge to perform duties more effectively.	<input type="checkbox"/>	
A.2 DIRECTORS - Chairman & Chief Executive Officer				
A.2.	Division of responsibilities to ensure no individual has unfettered powers of decision.	A balance of power and authority to be maintained by seperating responsibility for conducting Board business from that of executive decision making	<input type="checkbox"/>	

Code Ref.	Compliant Subject	Non Compliant Applicable Requirement	Adoption Status	Applicable Section in the Annual Report
A.3 DIRECTORS - Role of Chairman				
A.3	Ensure good corporate governance	Chairman to preserve order and facilitate effective discharge of board functions by proper conduct of Board meetings.		Corporate Governance
A.4 DIRECTORS - Financial Acumen				
A.4	Possession of adequate financial acumen	Board to ensure adequacy of financial acumen and knowledge within Board.		Corporate Governance
A.5 DIRECTORS - Board Balance				
A.5.1	Composition of Board	The Board should include a sufficient number of non - executive independent directors.		Corporate Governance
A.5.2	Proportion of independent directors	Two or one third of the non - executive directors should be independent.		Corporate Governance
A.5.3	Test of independence	Independent directors should be independent of management and free of any business or other relationship that could materially interfere with the exercise of unfettered and independent judgement.		
A.5.4	Declaration of independence	Non - executive directors should submit a signed and dated declaration of their independence / non - independence		
A.5.5	Annual determination of criteria of independence / non - independence and declaration of same by Board	The Board should annually determine and disclose the name of directors deemed to be independent		Corporate Governance
A.5.6	Appointment of senior Independent Director	If the roles of Chairman / CEO are combined, a non - executive should be appointed as a Senior Independent Director.	N / A	
A.5.7	Availability of Senior Independent Director to other Directors	If warranted the SID should be available to the other directors for confidential discussions.	N / A	
A.5.8	Interaction between Chairman and non - executive independent directors.	The Chairman should meet the non - executive independent directors at least once a year.		Annual Report of the Board of Directors
A.5.9	Directors concerns to be recorded	When matters are not unanimously resolved, directors to ensure their concerns are recorded in Board minutes.	N / A	
A.6 DIRECTORS - Supply of information				
A.6.1	Provision of adequate information to Board	Management to ensure the board is provided with timely and appropriate information.		Corporate Governance
A.6.2	Adequacy of Notice and formal agenda to be discussed at board meetings	Board minutes , agenda and papers should be circulated at least seven days before the Board meeting.		
A.7 DIRECTORS - Appointment to the Board				
A.7.1	Nomination Committee	Nomination committee of parent may function as such for the Company and make recommendations to the Board on new Board appointments.		



CORPORATE GOVERNANCE

Code Ref.	Compliant Subject	Non Compliant Applicable Requirement	Adoption Status	Applicable Section in the Annual Report
A.7 DIRECTORS - Appointment to the Board Contd.				
A.7.2	Annual assessment of Board composition	Nomination committee or Board should annually assess the composition of Board.	<input checked="" type="checkbox"/>	Corporate Governance
A.7.3	Disclosure of new board appointments	Profiles of new board appointments to be communicated to Shareholders.	<input type="checkbox"/>	
A.8 DIRECTORS - Re - election				
A.8.1	Appointment of non - executive directors	Appointment of non - executive directors should be for specified terms and re - election should not be automatic	<input checked="" type="checkbox"/>	Corporate Governance / Annual Report of the Board of Directors
A.8.2	Shareholder approval of appointment of all directors	The appointment of all directors should be subject to election by shareholders at the first opportunity	<input type="checkbox"/>	
A.9 DIRECTORS - Appraisal of Board Performance				
A.9.1	Annual appraisal of Board performance	The Board should annually appraise how effectively it has discharged its key responsibilities	<input type="checkbox"/>	
A.9.2	Self evaluation of Board and Board Committees	The Board should evaluate its performance and that of its committees annually	<input type="checkbox"/>	
A.9.3	Declaration of basis of performance evaluation	The Board should disclose how performance evaluations have been carried out	<input type="checkbox"/>	
A.10 DIRECTORS -Disclosure of information in respect of Directors				
A.10.1	Biographical profiles and relevant details of Directors to be disclosed	Annual report should disclose the biographical details of directors and attendance at board/ committee meetings	<input checked="" type="checkbox"/>	Board of Directors , Corporate Governance / Audit Committee Report.
A.11 DIRECTORS - Appraisal of Chief Executive Officer				
A.11.1	Short , medium and long term , financial and non - financial objectives to be set.	The Board should set out the short, medium and long term, financial and non - financial objectives at the commencement of each year.	<input type="checkbox"/>	
A.11.2	Evaluation of CEO performance	The performance of the CEO should be evaluated by the Board at the end of the year.	<input type="checkbox"/>	
8.1 DIRECTORS REMUERATION - Remuneration Procedure				
8.1.1	Appointment of Remuneration Committee	Remuneration Committee of parent may function as scuh for the Company to make recommendations on directors remuneration	<input checked="" type="checkbox"/>	Remuneration Committee report
8.1.2	Composition of Remuneration Committee	Board to appoint only non - executive directors to serve on Remuneration Committee.	<input checked="" type="checkbox"/>	Remuneration Committee report
8.1.3	Disclosure of members of Remuneration Committee	The Annual Report should disclose the Chairman and directors who serve on the Remuneration Committee.	<input checked="" type="checkbox"/>	Corporate Governance
8.1.4	Remuneration of non - executive directors	Board to determine the level of Remuneration of non-executive directors	<input checked="" type="checkbox"/>	Remuneration Committee report
8.1.5	Access to professional advice	Remuneration Committee should have access to professional advice in order to determine appropriate remuneration for executive directors	<input type="checkbox"/>	
8.2 DIRECTORS REMUERATION - 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	

Code Ref.	Compliant Subject	Non Compliant Applicable Requirement	Adoption Status	Applicable Section in the Annual Report
8.2 DIRECTORS REMUERATION - Level and Make up of Remuneration Contd.				
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 detrmining annual increases remuneration committee should be sensitive to that of other Group companies	NA	
8.2.4	Performance related elements of remuneration	Performance related elements of remuneration should be aligned with interests of Company.	<input checked="" type="checkbox"/>	
8.2.5	Share options	Executive should not be offered at a discount	NA	
8.2.6	Remuneration packages fro non - executive directors	Should reflect time commitment and responsibilities of role and 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	<input checked="" type="checkbox"/>	Financial Statements note 22.2.1

Code Ref.	Compliant Subject	Non Compliant 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	<input type="checkbox"/>	
C.1.2	Separate resolutions	Separate resolutions should be proposed for substantially separate issues	<input checked="" type="checkbox"/>	Notice of Meeting
C.1.3	Availability of Committee chairman at AGM	The chairman of Board committees should be available to answer any queries of AGM	<input checked="" type="checkbox"/>	
C.1.4	Notice of AGM	15 working days notice to be given to shareholders	<input checked="" type="checkbox"/>	Notice of Meeting
C.1.5	Procedure for voting at meetings	Company to circulate the procedure for voting with Notice of Meeting	<input checked="" type="checkbox"/>	Notice of Meeting
C.2 MAJOR TRANSACTIONS				
C.2.1	Disclosure of Major Transactions	Transactions that have a value which are greater than half of the net assets of the Company should be disclosed	<input checked="" type="checkbox"/>	Corporate Governance / Annual Report of the Board of Directors
D.1 ACCOUNTABILITY AND AUDIT - Financial Reporting				
D.1.1	Presentation of public reports	Should be balanced, understandable and comply with statutory and regulatory requirements	<input checked="" type="checkbox"/>	Management Discussion / Corporate Governance / Risk Management / Financial Statements
D.1.2	Directors Report	The Directors Report should be included in the Annual and confirm that	<input checked="" type="checkbox"/>	Annual Report of the Board of Directors
				Annual Report of the Board of Directors
		The company has not contravened laws or regulations in conducting its activities	<input checked="" type="checkbox"/>	

CORPORATE GOVERNANCE

Code Ref.	Compliant Subject	Non Compliant Applicable Requirement	Adoption Status	Applicable Section in the Annual Report
C . 1 RELATIONS WITH SHARE HOLDERS - Constructive use and conduct of Annual General Meeting Contd.				
		Material interests in contracts have been declared by Directors		Financial Statements
		The Company has endeavoured to ensure equitable treatment of shareholders		Corporate Governance
		That the business is a "going concern"		Annual Report of the Board of Directors
		That there is reasonable assurance of the effectiveness of the existing business systems following a review of the internal controls covering financial, operational and compliance		Audit Committee report, Risk Management
D.1.3	Respective responsibilities of Directors and Auditors	The Annual Report should contain separate statements setting out the responsibilities of the Directors for the preparation of the financial statements and the reporting responsibilities of the Auditors		Respective responsibilities of Directors and Auditors
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 falls below 50 % of the value of Shareholders Funds	N / A	
D.2 ACCOUNTABILITY AND AUDIT - Internal Control				
D.2.1	Effectiveness of system of internal controls	Directors to annually conduct a review of the effectiveness of the system of internal controls. This responsibility may be delegated to the Audit Committee		Audit Committee Report / Risk Management
D.3 AUDIT COMMITTEE				
D.3.1	Chairman and Composition of Audit Committee	Should comprise of a minimum of two independent non - executive directors		Audit Committee Report
		Audit Committee Chairman should be appointed by the Board		
D.3.2	Duties of Audit Committee	Should include		
		Review of scope and results of audit and its effectiveness		Corporate Governance
		Independence and objectivity of the Auditors		
D.3.3	Terms of Reference / Charter	The Audit Committee should have a written terms of reference which define the purpose of the Committee and its duties and responsibilities		Corporate Governance
D.3.4	Disclosures	The Annual Report should disclose the names of directors serving on the Audit Committee		Corporate Governance / Audit Committee Report

Code Ref.	Compliant Subject	Non Compliant Applicable Requirement	Adoption Status	Applicable Section in the Annual Report
D.3 AUDIT COMMITTEE Contd.				
		The Audit Committee should determine the independence of the Auditors and disclose the basis of such determination	<input checked="" type="checkbox"/>	Corporate Governance
		The Annual Report should contain a report by the Audit Committee setting out the manner of the compliance of the Company during the period to which the report relates.		Audit Committee Report
D.4 CODE OF BUSINESS CONDUCT AND ETHICS				
D.4.1	Adoption of Code of Business Conduct and Ethics	The company must adopt a Code of Business Conduct and Ethics for directors and members of the senior management team and promptly disclose any violation of the Code	<input type="checkbox"/>	
D.4.2	Chairman's affirmation	The Annual Report must include an affirmation by the Chairman that he is not aware of any violation of the Code of Business Conduct and Ethics	<input checked="" type="checkbox"/>	Chairman's Statement / Annual Report of the Board of Directors
D.5 CORPORATE GOVERNANCE DISCLOSURES				
D.5.1	Corporate Governance Report	The Annual Report should include a report setting out the manner and extent to which the company has adopted the principles and provisions of the Code of Best Practise on Corporate Governance	<input checked="" type="checkbox"/>	Corporate Governance
E. INSTITUTIONAL INVESTERS - Structured Dialogue				
E.1	Structured Dialogue with Shareholders	A regular and structured dialogue should be conducted with shareholders and the outcome of such dialogue should be communicated to the Board by the Chairman	<input checked="" type="checkbox"/>	Corporate Governance
E.2	Evaluation of Governance Disclosures by institutional investors	Institutional Investors should be encouraged to consider the relevant factors drawn to their attention with regard to board structure and composition	<input type="checkbox"/>	
F. OTHER INVESTERS - Investment / Divestment decisions				
F.1	Individual Investors	Individual shareholders should be encouraged to carry out adequate analysis and seek professional advice when making their investment / divestment decisions.	<input checked="" type="checkbox"/>	Corporate Governance
F.2.	Shareholder Voting	Individual shareholders should be encouraged to participate and exercise their voting rights	<input checked="" type="checkbox"/>	Corporate Governance / Form of Proxy

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

The financial statements presented in this Annual Report have been prepared using appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments and estimates and in compliance with the 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 2019/2020, 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

15 May 2019

REMUNERATION COMMITTEE REPORT

Composition

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

Mr. W A C J Wickramasinhe (*Chairman*) (*Resigned w.i.f. 19 September 2018*)

Mr. S. Senaratne (*Resigned w.i.f. 11 December 2018*)

Mr. Malik J Fernando

Meetings

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

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

Functions

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

Directors' remuneration

The total of Directors' remuneration paid during the year under review is set out in note 23.2.1 to the financial statements.



W A C J Wickramasinhe

Chairman

Remuneration committee

15 May 2019

AUDIT COMMITTEE REPORT

Terms of reference, principal focus and medium of reporting

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

Committee Composition, Meetings Held and Attendance

The Audit Committee consists of three members.

The members of the Board appointed Audit Committee are;

- Mr. L N De S Wijeyeratne - (Chairman)
- Mr. L T Samarawickrama - 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 & Chief Financial Officer attend audit meetings by invitation. Outsourced Internal Auditors (BDO partners) are required to attend meetings on a regular basis. The committee met four times in connection with the financial year ended 31st March 2019.

Activities performed.

- Reviewed the activities and financial affairs of the Company and its Subsidiary (Hotel), and the financial reporting system adopted in the preparation of quarterly and annual financial statements to ensure reliability of the process, appropriateness and consistency of accounting policies and methods adopted and that they facilitate compliance with the requirements of Sri Lanka Accounting standards (LKAS, SLFRS), the Companies Act No 7 of 2007 and other relevant statutory and regulatory requirements.
- Met the outsourced Internal Auditors to consider their reports, management responses and matters requiring follow up on the effectiveness of internal financial controls that have been designed to provide reasonable but not absolute assurance to the Directors that assets are safeguarded and that the financial reporting system can be relied upon in the preparation and presentation of the financial statements.

- Met the external auditors to consider their report on interim audit carried out and discussed the effects of new accounting standards and the reporting requirements relating to SLFRS 15 (Revenue), SLFRS 9 (Financial Instruments) and SLFRS 16 (Leasing).
- 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 2020, subject to the approval of the shareholders at the next Annual General Meeting.



L.N. de S. Wijeyeratne (FCA)

Chairman

Audit Committee

15 May 2019

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.

- Mr. L N de Silva Wijeyeratne (Chairman) - Independent Non Executive Director
- Mr. J A S S Adhihetty Executive Director
- 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 Company. The attendance of the Members of the Committee were as follows.

Meetings attended (out of 04)

L.N. de S. Wijeyeratne	04
Mr. J A S S Adhihetty	04
Mr. L T Samarawickrama	03

Purpose of the Committee

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

Policies and procedures

- The RPTRC reviews all the Related party Transactions of the listed company of the Fortress group and where the Committee decides that the approval of the Board of Directors of the respective company is necessary to approve a Related Party Transaction, such Board approval obtained prior entering into the relevant Related Party Transaction.
- When reviewing a transaction, the RPTRC would decide whether the proposed transaction is carried out on an arm's length basis irrespective of whether it is recurrent or non-recurrent in nature.
- Reviewing and approval would be either by meeting of members (subject to quorum being present) or by circulation.
- In determining whether to obtain the approval of the Board of Directors for a Related Party Transaction, the RPTRC will take in to account, among other factors it deems appropriate, whether the proposed RPTs pose a conflict of interest to the Directors.
- 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 2018 to 31st March 2019 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

15 May 2019

FINANCIAL REPORTS



2,064

Total Assets (Rs. Mn)

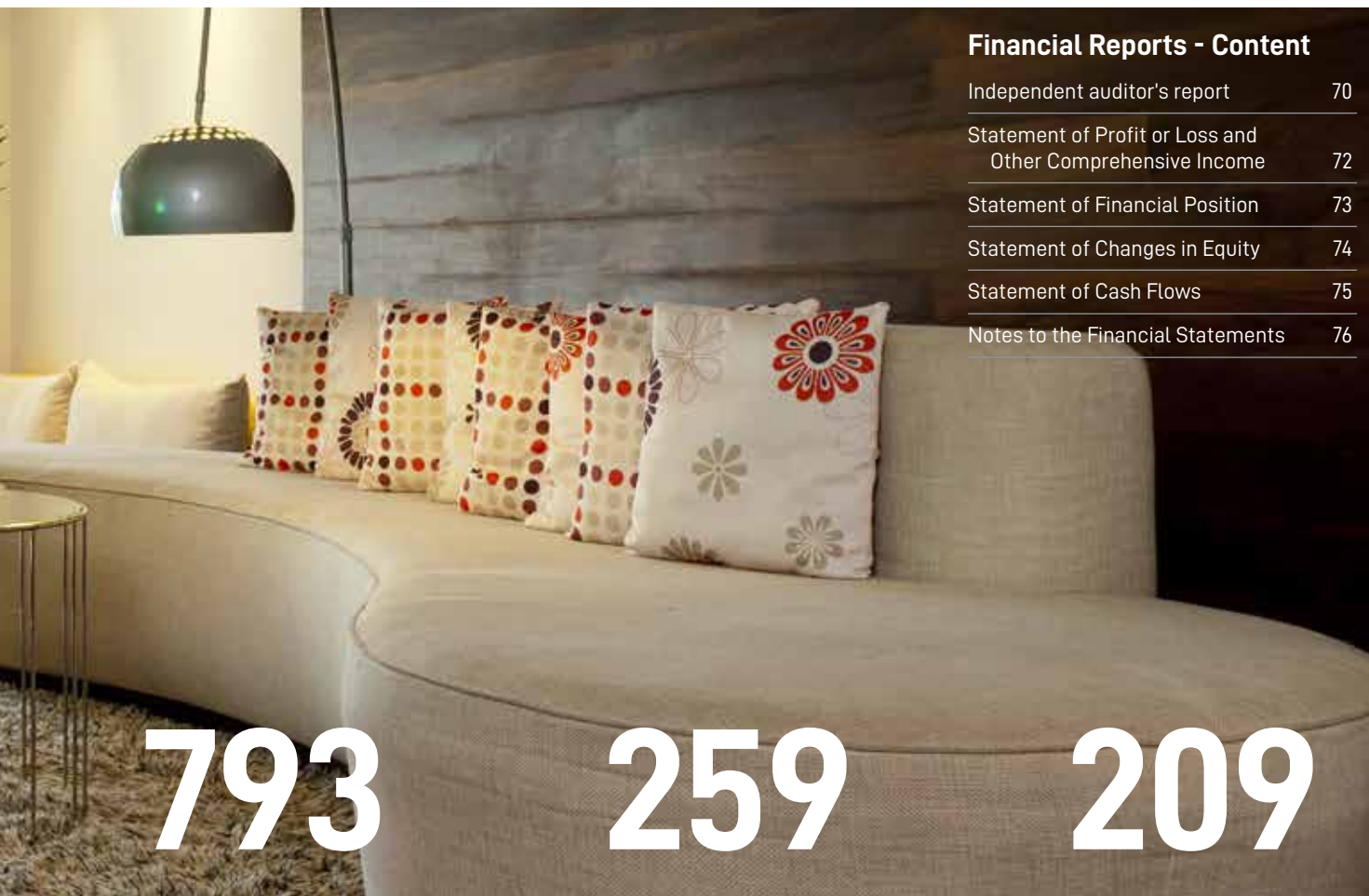
1,853

Shareholders Funds (Rs. Mn)

“

As a result of these remarkable achievements, we are proud to report that TFR Profit After Tax (PAT) recorded major improvements during the year in review, increasing from Rs. 140.8 Million up to Rs. 209.5 Million, while earnings per share rose from Rs. 1.27 up to Rs. 1.89 per share

”



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793

259

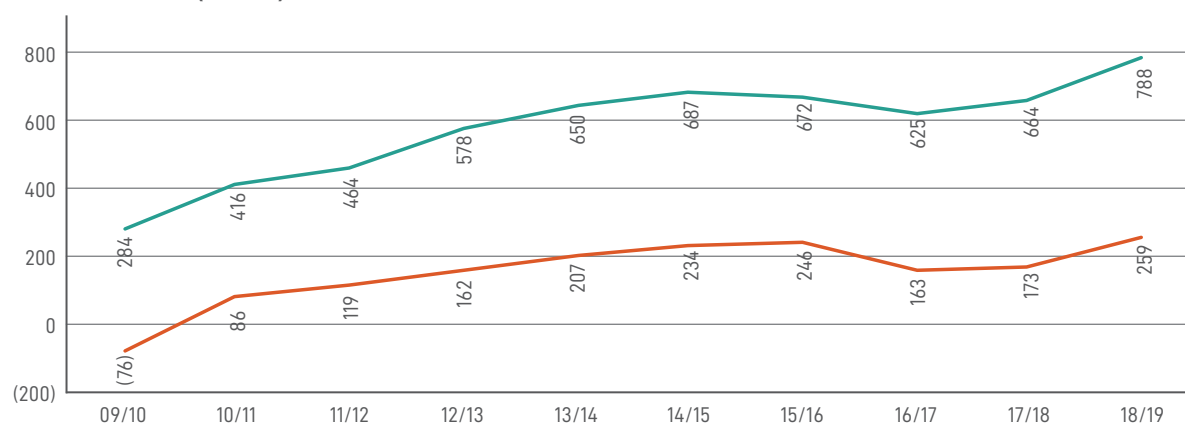
209

Total Revenue (Rs. Mn)

Profit Before Tax (Rs. Mn)

Profit After Tax (Rs. Mn)

Turnover Vs PBT (Rs. Mn)



INDEPENDENT AUDITOR'S REPORT



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

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

TO THE SHAREHOLDERS OF THE FORTRESS RESORTS PLC

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 2019, and the statement of profit or loss and other 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 2019, 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 matter	How our audit addressed the key audit matter
Related party transactions and disclosures.	<ul style="list-style-type: none"> Our procedures in relation to related party transactions and disclosures included the following, among others:
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.	<ul style="list-style-type: none"> 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.
Interest earned on fixed deposits for the year amounts to Rs. 53,679,855/- (2018 -Rs 42,946,346/-) while investments in fixed deposits held with related parties amounted to Rs. 566,588,628/- (2018- Rs. 452,927,126/-) as at the reporting date.	<ul style="list-style-type: none"> 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.
Due to the magnitude and the inherent risk associated with related party transactions and balances, we considered this as a key audit matter.	<ul style="list-style-type: none"> 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 23.3 to the financial statements.

OTHER INFORMATION INCLUDED IN THE 2019 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

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

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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.

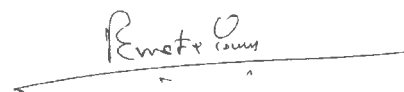
We also provide those charged with governance with a statement that we have complied with ethical requirements in accordance with the Code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and 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 2440.



15 May 2019
Colombo

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 March 2019	Note	Group	Company
		2019 Rs.	2018 Rs.
Revenue	4	787,787,516	663,749,824
Cost of Sales		(217,206,486)	(199,913,530)
Gross Profit		570,581,030	463,836,294
Other Income and Gains	5	5,930,434	10,577,961
Advertising and Marketing Expenses		(33,849,448)	(29,778,049)
Administrative Expenses		(336,397,926)	(312,809,942)
Finance Cost	6.1	(2,299,884)	(3,124,571)
Finance Income	6.2	55,116,864	44,310,612
Profit/(Loss) before Tax	7	259,081,070	173,012,304
Income Tax Expenses	8	(49,560,154)	(32,213,121)
Profit/(Loss) for the year		209,520,916	140,799,184

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	(511,930)	(282,376)
Income Tax Effect		71,670	39,533

Net other comprehensive loss not to be reclassified to profit or loss in subsequent periods

		(440,260)	(242,843)
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Other comprehensive loss for the year, net of tax		(440,260)	(242,843)
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Total Comprehensive Income/(Loss) for the Year, net of tax

		209,080,657	140,556,341
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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	1.89	1.27
Dividend per Share	9.2	1.00	-

The Accounting Policies and Notes on pages 76 to 100 form an integral part of these Financial Statements.

STATEMENT OF FINANCIAL POSITION

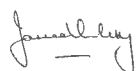
As at 31 March 2019		Group	Company		
	Note	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
ASSETS					
Non-Current Assets					
Property, Plant and Equipment	10	1,343,775,163	1,371,562,679	-	-
Investments in Subsidiary	11	-	-	1,000,009,990	1,000,009,990
Intangible Assets	12	3,414,681	4,011,360	-	-
		1,347,189,844	1,375,574,039	1,000,009,990	1,000,009,990
Current Assets					
Inventories	14	21,118,791	21,755,480	-	-
Trade and Other Receivables	15	58,031,197	41,452,813	107,338,566	100,914,162
Advances and Prepayments		39,273,258	40,939,756	-	-
Short Term Deposits	16	578,579,436	463,800,311	-	-
Cash and Cash Equivalents	17	19,948,196	15,122,253	298,392	468,110
		716,950,878	583,070,613	107,636,958	101,382,272
Total Assets		2,064,140,722	1,958,644,652	1,107,646,948	1,101,392,262
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)		744,405,095	646,211,122	(2,247,617)	(8,223,872)
Equity attributable to Equity Holders of the Parent		1,853,271,935	1,755,077,962	1,106,619,223	1,100,642,968
Non Controlling Interest		1,000	1,000	-	-
Total Equity		1,853,272,935	1,755,078,962	1,106,619,223	1,100,642,968
Non-Current Liabilities					
Interest Bearing Loans and Borrowings	13.1	11,737,016	16,578,433	-	-
Retirement Benefit Obligation	19	17,093,080	14,505,038	-	-
Deferred Tax Liability	8.3	44,213,317	41,393,875	-	-
		73,043,413	72,477,346	-	-
Current Liabilities					
Trade and Other Payables	20	71,053,315	71,046,031	1,027,725	749,294
Contract Liabilities	21	45,478,559	40,952,208	-	-
Income Tax Payables		14,026,940	13,658,226	-	-
Interest Bearing Loans and Borrowings	13.1	7,265,560	5,431,879	-	-
		137,824,374	131,088,344	1,027,725	749,294
Total Equity and Liabilities		2,064,140,722	1,958,644,652	1,107,646,948	1,101,392,262

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

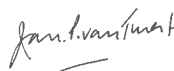


Chief Financial Officer

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



Director



Director

The Accounting Policies and Notes on pages 76 to 100 form an integral part of these Financial Statements.

15 May 2019
Colombo

STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2019				
Group	Attributable to the equity holders of the parent			Total
	Stated Capital Rs.	Accumulated Profit Rs.	Non Controlling Interest	
				Rs.
Balance as at 01 April 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
Dividends	-	(110,886,684)	-	(110,886,684)
Profit for the year	-	209,520,916	-	209,520,916
Other Comprehensive Loss	-	(440,260)	-	(440,260)
Balance as at 31 March 2019	1,108,866,840	744,405,095	1,000	1,853,272,935

Company	Attributable to the equity holders of the parent		Total
	Stated Capital Rs.	Accumulated Losses Rs.	
			Rs.
Balance as at 01 April 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
Dividends	-	(110,886,684)	(110,886,684)
Profit for the year	-	116,862,939	116,862,939
Balance as at 31 March 2019	1,108,866,840	(2,247,617)	1,106,619,223

The Accounting Policies and Notes on pages 76 to 100 form an integral part of these Financial Statements.

STATEMENT OF CASH FLOWS

Year ended 31 March 2019	Note	Group	2018	Company	2018
		2019 Rs.	Rs.	2019 Rs.	Rs.
Cash Flows from/(used in) Operating Activities					
Profit/(Loss) before Tax		259,081,070	173,012,304	116,862,939	(3,510,443)
Adjustments for					
Depreciation		74,291,217	73,172,503	-	-
Amortization	12	1,202,429	1,049,009	-	-
Finance Cost	6.1	2,299,884	3,124,571	-	-
Finance Income	6.2	(55,116,864)	(44,310,612)	-	-
Loss/(Profit) on Disposal of Property, Plant and Equipment		(5,930,434)	(7,740,207)	-	-
Provision for Defined Benefit Obligation		4,013,542	3,615,775	-	-
Operating Profit/(Loss) before Working Capital Changes		279,840,844	201,923,344	116,862,939	(3,510,443)
(Increase)/Decrease in Inventories		636,689	1,628,066		
(Increase)/Decrease in Trade and Other Receivables and Prepayments		(14,911,886)	(15,070,348)	(6,424,404)	3,514,742
Increase/(Decrease) in Trade and Other Payables and Contract Liabilities		4,533,635	25,655,706	278,431	(4,800)
Cash Generated from/(used in) Operations		270,099,282	214,136,768	110,716,966	(501)
Finance Cost paid	6.1	(2,299,884)	(3,124,571)	-	-
Defined Benefit Obligation paid	19	(1,937,430)	(1,724,988)	-	-
Income Tax paid		(46,300,325)	(22,493,378)	-	-
Net Cash from/(used in) Operating Activities		219,561,643	186,793,830	110,716,966	(501)
Cash Flows from/(used in) Investing Activities					
Proceeds from Disposal of Property Pant and Equipment		7,173,646	10,853,271	-	-
Acquisition of Property, Plant and Equipment	10.4	(47,746,913)	(89,657,297)	-	-
Acquisition of Intangible Assets	12	(605,750)	(2,562,347)	-	-
Investment in Fixed deposits		(252,101,592)	(210,407,226)	-	-
Withdrawal of Fixed Deposits		141,820,622	70,000,000	-	-
Finance Income Received		50,618,709	39,678,230	-	-
Net Cash from/(used in) Investing Activities		(100,841,279)	(182,095,369)	-	-
Cash Flows from/(used in) Financing Activities					
Principal Payments under Finance Lease Liabilities	13.2	(4,841,417)	(4,058,228)	-	-
Dividend Paid	9.2	(110,886,684)	-	(110,886,684)	-
Net Cash from/(used in) Financing Activities		(115,728,101)	(4,058,228)	(110,886,684)	-
Net Increase/(Decrease) in Cash and Cash Equivalents		2,992,264	640,233	(169,718)	(501)
Cash and Cash Equivalents at the beginning of the year		15,122,252	14,482,019	468,110	468,611
Cash and Cash Equivalents at the end of the year	17	18,114,516	15,122,252	298,392	468,110

The Accounting Policies and Notes on pages 76 to 100 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 2019 were authorized for issue in accordance with a resolution of the directors on 15 May 2019.

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. Previous year's figures and phrases have been re-arranged whenever necessary to conform to current presentation. The Group has applied SLFRS 09 and SLFRS 15 retrospectively during the year. However, there were no material re-measurements were identified that would require to restate the comparative information.

During the year the Group has reclassified certain amounts within the property, plant and equipment categories and which has no impact on the net book values or statement of profit or loss of the Group.

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. Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified

as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of SLFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of SLFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in 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-assess 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 2019. 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 receive 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	2019	2018
Direct holding	100%	100%
La Forteresse (Private) Limited		
Indirect holding	99.99%	99.99%
Summer Season Mirissa (Pvt) Ltd		

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.

Investment subsidiaries are carried at cost less impairments (if any) in the separate financial statements.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.3.1 Current versus non-current classification

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

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

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period

Or

- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

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

NOTES TO THE FINANCIAL STATEMENTS

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 from contracts with customers is recognised when control of the goods and services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods and services.

The specific recognition criteria described below must also be met before revenue is recognised.

Room, food and beverage revenue

Room revenue is recognized when the rooms occupied on 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 14% (2018:12%) under the Inland Revenue Act No. 24 of 2017 and amendments thereto. Interest income is taxed at 14% (2018 – 28%) and Dividends are subject to 14% withholding tax (WHT) under the inland revenue act.

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	10 years
Fixtures and Fittings	10 years
Computer Equipment	05 years
Telephone Equipment	04 years
Kitchen Equipment	04 years
Electrical Equipment	10 years
Linen and Furnishing	04 years
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.

Capital work-in-progress

Capital work-in-progress is stated at cost less any accumulated impairment losses if any. These would be transferred to the relevant asset category in property, plant and equipment when the asset is completed and available for use i.e. when it is in the location and condition

NOTES TO THE FINANCIAL STATEMENTS

necessary for it to be capable of operating in the manner intended by management.

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.

Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as finite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category consistent with the function of the intangible assets.

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

2.3.10 Financial instruments – initial recognition and subsequent measurement

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

i) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them.

With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under SLFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model

determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

All financial assets are initially measured at fair value plus or minus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Subsequent measurement

Subsequent measurement for purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows

and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes trade receivables, and investment in fixed deposits included under other financial assets.

De-recognition

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 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.

Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from

default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. For this purpose, the Group has established a provision matrix that is based on its historical credit loss experience, adjusted, if any; for forward-looking factors specific to each debtor and the economic characteristics. Group is making a 100% provision for all the debtors aged more than 90 days.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Based on the management's assessment, no impairment was identified in respect of trade receivables and investment in fixed deposits as the impact is immaterial at the date of transition and subsequent reporting dates.

ii) Financial liabilities

Initial recognition and measurement

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

Subsequent measurement

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

Financial Liabilities at Amortized Cost 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 de-recognised 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.

De-recognition

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.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the 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 cost formulas applied by the Group are as follows;

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

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

2.3.12 Impairment of non- financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less 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 recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

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

2.3.15 Post Employment Benefits

i) Defined Benefit Plan - Gratuity
Gratuity is a defined benefit plan. The Group is liable to pay gratuity in terms of relevant statute.

The Group measures the present value of the promised retirement benefits of gratuity which is a defined benefit plan with the advice of an actuary every year using "Project Unit Credit Method". An actuarial valuation of the gratuity liability of the Company as at 31 March 2019 was undertaken by Actuarial and Management Consultants (Pvt) Ltd, a firm of professional actuaries. The result of such valuation was incorporated in these Financial Statements.

The Group's accounting policy for defined benefit plans is to recognise actuarial gains and losses in the period in which they occur in full in Other Comprehensive Income (OCI). Current Service Cost and Interest Cost are recognized in the statement of profit or loss.

Further, this liability is not externally funded.

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

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

2.3.16 Cash Dividends

The Company recognises a liability to pay a dividend when the distribution is approved by the shareholders. A corresponding amount is recognised directly in equity.

2.4 Changes in Accounting Policies and Disclosures

The Group applied SLFRS 15 and SLFRS 9 retrospectively during the year. The nature and effect of the changes as a result of adoption of these new accounting standards are described below. Date of transition is 01 April 2018, however there were no material adjustments to the information pertaining to all the period presented due to the adoption of these standards.

SLFRS 15 – Revenue from contracts with customers

SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It supersedes LKAS 18 Revenue, LKAS 11 Construction Contracts and related

interpretations. Under SLFRS 15, establishes a five-step model to account for revenue arising from customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

Further revenue is recognised when a customer obtains control of the goods of the Company. Determining the timing of the transfer of control – at a point in time or over time – requires management judgement.

Accounting policies of the Group have changed to comply with the SLFRS 15, however the Changes to SLFRS 15 do not have a material impact on the statement of profit or loss, OCI, Statement of financial position, statement of changes in equity, statement of cash flows or earnings/loss per share of the Group.

SLFRS 9 - Financial Instruments

SLFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces LKAS 39 Financial Instruments: Recognition and Measurement.

Classification and measurement of financial assets

Under SLFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortised cost, or fair value through OCI. The classification is based on two criteria: the Company's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The classification and measurement requirements of SLFRS 9 did not have a significant impact on the Group.

The following are the changes in the classification of the Group's financial assets:

- Trade and other receivables Rs. 58,031,197/- (2018 – Rs. 41,452,813/-) and Other financial assets (i.e., Investment in fixed deposits) Rs. 578,579,436/- (2018 – Rs. 463,800,311/-) previously classified as loans and receivables are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are now classified and measured as debt instruments at amortised cost.

The Group has not designated any financial liabilities as at fair value through profit or loss. There are no changes in classification and measurement for the Group's financial liabilities.

Impairment

The adoption of SLFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing LKAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. SLFRS 9 requires the Group to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss. However, there is no additional impairment was recognized on the investment in fixed deposits or trade receivables as of date of transition and for previous financial year as the impact is not material.

2.5 New and Amended Standards and Interpretations

SLFRS 16 have been issued but not yet effective as at the reporting date and accordingly have not been applied in preparing these financial statements of the Group.

NOTES TO THE FINANCIAL STATEMENTS

Key changes and the possible impact of SLFRS 16 is indicated in below.

SLFRS 16 eliminates the current dual accounting model for lessees which distinguishes between On-Balance Sheet finance leases and Off-Balance Sheet operating leases. Instead, there will be a single On-Balance Sheet accounting model that is similar to current finance lease accounting.

SLFRS 16 is effective for reporting periods beginning on or after 01 January 2019.

Possible impact on Financial Statements

The Management is being evaluated the potential impact on its financial statements resulting from the application of SLFRS 16. Management expects to adopt modified retrospective approach and have assessed below impact on adoption of SLFRS 16.

Right to use of assets - Lease hold properties (Land) held under operating leases

Date of Transition – 01 April 2019

At the date of transition, the Group expects to recognize an asset and lease liability of Rs. 46,081,356/- as 'Right to use of Assets' under property plant and equipment and a corresponding lease liability under the liabilities of the statement financial position.

Group expect to recognize an interest expense and amortization expenses of Rs. 5,985,246/- and 1,907,022/- in the statement of profit or loss for the year ending 31 March 2020.

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 Note 25 and policies
- Sensitivity analyses Note 25 disclosures
- Capital management Note 25

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. 60,266,137/- (2018- Rs. 53, 209,517/-). These losses relate to The Fortress Resort PLC that has a history of losses. A deferred tax asset of Rs. 8,437,259/- (2018 -Rs. 7,449,332/-) has not been recognised in respect of this tax loss and other temporary differences which has resulted deferred tax assets as it is anticipated that the deferred tax asset will not realise in the foreseeable future. Further details on taxes are disclosed in Note 8.3.1.

Retirement Benefit Obligation

The cost of retirement benefit obligation and the present value of the retirement benefit obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

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

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

4. REVENUE

	Group		Company	
	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
Revenue (Note 4.1)	787,787,516	663,749,824	122,808,245	1,818,200
	787,787,516	663,749,824	122,808,245	1,818,200

4.1 Revenue

Room Revenue	473,990,944	399,761,169	-	-
Food Revenue	185,797,966	156,291,266	-	-
Beverage Revenue	72,049,395	58,982,507	-	-
Spa Revenue	23,873,762	23,670,981	-	-
Laundry Income	3,457,499	3,901,410	-	-
Transport Income	4,153,255	3,465,341	-	-
Excursions Income	7,677,637	5,847,280	-	-
Boutique Income	3,640,996	2,747,260	-	-
Dividend Income	-	-	122,808,245	1,818,200
Wedding income	5,052,357	-	-	-
Rental Income	2,191,304	4,568,116	-	-
Income from other hotel operations	5,902,401	4,514,494	-	-
	787,787,516	663,749,824	122,808,245	1,818,200

5. OTHER INCOME AND GAINS

	Group		Company	
	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
Profit on Disposal Property, Plant and Equipment	5,930,434	7,740,207	-	-
Exchange Gains	-	2,837,754	-	-
	5,930,434	10,577,961	-	-

6. FINANCE COST AND INCOME

	Group		Company	
	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
6.1 Finance Cost				
Interest Expense on Bank Overdrafts	6,077	47,576	-	-
Finance Charges on Lease Liabilities	2,293,807	3,076,996	-	-
	2,299,884	3,124,571	-	-
6.2 Finance Income				
Interest Income	55,116,864	44,310,612	-	-
	55,116,864	44,310,612	-	-

NOTES TO THE FINANCIAL STATEMENTS

7. PROFIT BEFORE TAX

Stated after Charging	Group 2019 Rs.	2018 Rs.	Company 2019 Rs.	2018 Rs.
Included in Cost of Sales				
Employees Benefits including the following	58,044,263	46,583,671	-	-
- Defined Benefit Plan Cost -				
Gratuity (included in Employee Benefits)	832,653	702,530	-	-
- Defined Contribution Plan Cost - EPF and ETF				
(included in Employee Benefits)	7,686,287	4,344,720	-	-
Depreciation	2,855,839	2,768,056	-	-
Included in Administrative Expense				
Employees Benefits including the following	107,612,820	101,080,960	-	-
- Defined Benefit Plan Cost - Gratuity				
(included in Employee Benefits)	3,180,889	2,824,224	-	-
- Defined Contribution Plan Cost - EPF and ETF				
(included in Employee Benefits)	9,624,823	9,198,967	-	-
Depreciation	71,435,379	70,403,047	-	-
Amortization of Intangible Assets	1,202,430	1,049,009	-	-
Audit Fees	880,000	870,000	210,000	210,000
Charity and Donations	142,876	196,751	-	-
Land Rent	3,272,535	4,581,813	-	-
Included in Advertising and Marketing Expenses				
Advertising	13,659,353	12,060,571	-	-
Sales Promotion Expenses	11,754,099	10,840,303	-	-

8. INCOME TAX EXPENSE

The major components of income tax expense for the years ended 31 March 2019 and 2018 are:

Statement of Profit or Loss	Group 2019 Rs.	2018 Rs.	Company 2019 Rs.	2018 Rs.
Current Income Tax				
Current Income Tax Charge (Note 8.1)	31,070,602	25,896,198	-	-
Dividend Tax	17,193,154	181,820	-	-
Adjustments in respect of				
current income tax of previous year	(1,594,715)	(41,900)	-	-
	46,669,041	26,036,118	-	-
Deferred Tax				
Relating to origination and				
reversal of temporary differences (Note 8.3)	2,891,113	6,177,003	-	-
Income tax expense reported in the				
Statement of Profit or Loss	49,560,154	32,213,121	-	-

Statement of Other Comprehensive Income (OCI)	Group		Company	
	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
Deferred tax related to items recognised in OCI during in the year:				
Net Gain on actuarial gains and losses	71,670	39,533	-	-
Deferred tax charged to OCI	71,670	39,533	-	-

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

	Group		Company	
	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
Taxable Profit/(Loss) from Business				
Accounting Profit/(Loss) before Income Tax	259,081,070	173,012,304	116,862,939	(3,510,443)
Disallowed Items	87,915,088	83,371,127	-	-
Allowed Items	(132,119,908)	(104,991,243)	-	-
Exempted Profit	-	-	(122,808,245)	(1,818,200)
Interest Income	(55,116,864)	(44,310,612)	-	-
Taxable losses of group companies	7,056,622	5,328,643	-	-
Taxable Profit/(Loss) from Business	166,816,008	112,410,219	(5,945,306)	(5,328,643)
Other Sources of Income				
Gross Interest Income	55,116,864	44,310,612	-	-
Taxable Other Income	55,116,864	44,310,612	-	-
Total Statutory Income	221,932,872	156,720,831	-	-
Total Taxable Income	221,932,872	156,720,831	-	-
Income Tax on Hotel Operations @ 14% (2018 @ 12%)	23,354,241	13,489,226	-	-
Income Tax on Interest Income @ 14% (2018 @ 28%)	7,716,361	12,406,971	-	-
Current Income Tax Charge	31,070,602	25,896,198	-	-

8.2 Tax Losses Utilized

Tax Losses Brought Forward	53,209,516	47,880,873	53,209,516	47,880,873
Loss Incurred during the year	7,056,622	5,328,643	5,945,306	5,328,643
Tax Losses Carried Forward	60,266,137	53,209,516	59,154,822	53,209,516

Income Tax of La Forteresse (Private) Limited

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

NOTES TO THE FINANCIAL STATEMENTS

8. INCOME TAX EXPENSE CONTD.

	Statement of Financial Position		Statement of Profit or Loss	
	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
8.3 Deferred Tax - Group				
Deferred Tax Liability				
Capital Allowances for Tax purpose	46,606,349	43,424,580	3,181,769	6,688,351
	46,606,349	43,424,580	3,181,769	6,688,351
Deferred Tax Assets				
Retirement Benefit Obligation - Through Income Statement	(2,133,484)	(1,842,828)	(290,656)	(511,348)
Retirement Benefit Obligation - Through Other Comprehensive Income	(259,547)	(187,877)	-	-
	(2,393,031)	(2,030,705)	(290,656)	(511,348)
Deferred Taxation Charge/(Reversal)			2,891,113	6,177,003
Net Deferred Tax Liability	44,213,317	41,393,875		
8.3.1 Reconciliation of Deferred Tax Charge / (Reversal)				
Deferred Tax Charge reported in the Statement of Profit or Loss			2,891,113	6,177,003
Deferred Tax Charge reported in Other Comprehensive Income			(71,670)	(39,533)
			2,819,443	6,137,470

8.3.2 The Fortrss Resorts PLC has a tax loss amounting to Rs. 60,266,138/- (2018 - Rs. 53,209,517/-) which is available indefinitely for offsetting against future statutory income of the Company until 6 years from the incurred year of assessment. A deferred tax asset amounting to Rs. 8,437,259/- (2018 - Rs. 7,449,332/-) 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	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
Profit/(loss) attributable to Ordinary Shareholders for				
Basic Earnings per Share	209,520,916	140,799,184	116,862,939	(3,510,443)
	Group		Company	
Number of Ordinary Shares Used as the Denominator	2019 Number	2018 Number	2019 Number	2018 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.)	1.89	1.27	1.05	(0.03)

9.2 DIVIDEND PER SHARE-GROUP/COMPANY

	2019 Rs.	2018 Rs.
Dividend paid during the year	110,886,684	-
Dividend per Share (Rs.)	1.00	-

10. PROPERTY, PLANT AND EQUIPMENT - GROUP

10.1 Gross Carrying Amounts	Balance As at 01.04.2018 Rs.	Additions/ Transfers Rs.	Disposals/ Transfers Rs.	Balance As at 31.03.2019 Rs.
At Cost				
Land	359,721,000	-	-	359,721,000
Buildings on Leasehold Land - Hotel	939,852,457	1,085,684	-	940,938,140
- Administration	50,497,404	-	-	50,497,404
Plant and Equipment	18,634,249	-	(150,000)	18,484,249
Furniture and Fittings	173,003,289	8,710,823	(2,564,920)	179,149,192
Fixtures and Fittings	74,807,975	4,577,549	(534,177)	78,851,347
Computer Equipment	26,758,624	1,015,520	(135,600)	27,638,544
Telephone Equipment	2,911,805	398,614	-	3,310,419
Kitchen Equipment	52,848,318	3,598,263	(181,900)	56,264,681
Electrical Equipment	162,672,887	7,526,561	(8,154,079)	162,045,369
Linen and Furnishing	18,868,833	5,393,216	(5,016,366)	19,245,683
Cutlery and Crockery	8,406,830	-	(3,619,117)	4,787,713
Other Equipment	16,558,558	437,448	(108,249)	16,887,757
Air conditioners	13,152,145	177,440	(34,884)	13,294,701
Motor Vehicles	43,384,565	10,096,819	(8,708,073)	44,773,312
	1,962,078,939	43,017,936	(29,207,365)	1,975,889,510
Assets on Finance Leases				
Motor Vehicles	26,997,613	-	-	26,997,613
	26,997,613	-	-	26,997,613
Constructions in Progress				
Buildings	-	4,728,977	-	4,728,977
Total Gross Carrying Amount	1,989,076,552	47,746,913	(29,207,365)	2,007,616,100

NOTES TO THE FINANCIAL STATEMENTS

10.2 Depreciation

	Balance As at 01.04.2018 Rs.	Charge for the year/ Transfers Rs.	Disposals/ Transfers -Rs.	Balance As at 31.03.2019 Rs.
At Cost				
Buildings on Leasehold Land - Hotel	188,521,080	27,925,047	-	216,446,127
- Administration	11,080,338	1,645,466	-	12,725,804
Plant and Equipment	16,876,444	295,105	(150,000)	17,021,549
Furniture and Fittings	107,624,103	8,502,652	(2,533,517)	113,593,238
Fixtures and Fittings	39,749,599	5,333,187	(350,943)	44,731,843
Computer Equipment	19,573,412	2,883,816	(135,600)	22,321,629
Telephone Equipment	1,885,713	363,500	-	2,249,213
Kitchen Equipment	49,330,515	2,325,170	(181,900)	51,473,785
Electrical Equipment	108,484,454	7,658,564	(8,080,554)	108,062,464
Linen and Furnishing	10,142,650	4,409,527	(4,571,581)	9,980,596
Cutlery and Crockery	7,035,907	530,669	(3,444,048)	4,122,528
Other Equipment	15,359,026	714,601	(101,236)	15,972,391
Air conditioners	8,534,650	1,073,780	(34,884)	9,573,547
Motor Vehicles	24,815,284	5,694,342	(8,379,890)	22,129,736
	609,013,175	69,355,428	(27,964,153)	650,404,450
Assets on Finance Leases				
Motor Vehicles	8,500,698	4,935,789	-	13,436,487
	8,500,698	4,935,789	-	13,436,487
Total Depreciation	617,513,873	74,291,217	(27,964,153)	663,840,937

10.3 Net Book Values

	2019 Rs.	2018 Rs.
At Cost		
Land	359,721,000	359,721,000
Buildings on Leasehold Land - Hotel	724,492,014	751,331,377
- Administration	37,771,600	39,417,066
Plant and Equipment	1,462,699	1,757,804
Furniture and Fittings	65,555,954	65,379,186
Fixtures and Fittings	34,119,503	35,058,376
Computer Equipment	5,316,916	7,185,212
Telephone Equipment	1,061,206	1,026,092
Kitchen Equipment	4,790,896	3,517,803
Electrical Equipment	53,982,905	54,188,433
Linen and Furnishing	9,265,087	8,726,183
Cutlery and Crockery	665,185	1,370,923
Other Equipment	915,366	1,199,532
Air conditioners	3,721,154	4,617,494
Motor Vehicles	22,643,576	18,569,282
	1,325,485,060	1,353,065,764
Assets on Finance Leases		
Motor Vehicles	13,561,126	18,496,915
Constructions in Progress		
Buildings	4,728,977	-
Total Carrying Amount of Property, Plant and Equipment	1,343,775,163	1,371,562,679

- 10.4** During the financial year, the Group acquired property, plant and equipment to the aggregate value of Rs. 47,746,913/- (2018 - Rs. 89,657,297/-). Cash payments amounting to Rs. 47,746,913/- (2018 - Rs. 89,657,297/-) were made during the year for purchase of Property, Plant and Equipment.
- 10.5** The hotel and administration buildings of the Company 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 the rentals of Rs.2,238,356/- (2018-Rs.2,238,356/-) and Rs.265,734/- (2018 - Rs. 265,734/-) per annum respectively.
- 10.6** The Company 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.453,200/- (2018 - Rs.412,000/-) per annum.

11. INVESTMENT IN SUBSIDIARY - COMPANY

11.1 Non-Quoted Investments

	2019 %	2018 %	Cost 2019 Rs.	2018 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 01.04.2018 Rs.	Additions Rs.	Disposals Rs.	Balance As at 31.03.2019 Rs.
Computer Softwares	13,261,238	605,750	-	13,866,988
	13,261,238	605,750	-	13,866,988

12.2 Amortisation

Computer Softwares	9,249,878	1,202,429	-	10,452,307
	9,249,878	1,202,429	-	10,452,307

12.3 Net Book Values

	2019 Rs.	2018 Rs.
Computer Softwares	3,414,681	4,011,360

- 12.4** Computer Softwares are amortized over 05 years

NOTES TO THE FINANCIAL STATEMENTS

13. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES

13.1 Interest Bearing Loans and Borrowings

	Group		Company	
	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
Current Interest Bearing Loans and Borrowings				
Bank Overdrafts (Note 17)	1,833,681	-	-	-
Obligation Under the Financial Lease (Note 13.2)	5,431,879	5,431,879	-	-
Total Current Interest Bearing Loans and Borrowings	7,265,560	5,431,879	-	-
Non Current Interest Bearing Loans and Borrowings				
Obligation Under the Financial Lease (Note 13.2)	11,737,016	16,578,433	-	-
Total Non Current Interest Bearing Loans and Borrowings	11,737,016	16,578,433	-	-

13.2 Finance Leases

	Balance As at 01.04.2018 Rs.	New Leases Obtained Rs.	Repayments Rs.	Balance As at 31.03.2019 Rs.
Bank of Ceylon	27,351,692	-	(7,135,224)	20,216,468
Gross Liability	27,351,692	-	(7,135,224)	20,216,468
Finance Charges allocated to Future periods	(5,341,380)	-	2,293,807	(3,047,573)
Net Liability	22,010,312	-	(4,841,417)	17,168,895
			2019 Rs.	2018 Rs.
Current			5,431,879	5,431,879
Non Current			11,737,016	16,578,433
Total			17,168,895	22,010,312

* Note 22.4 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

	2019 Rs.	2018 Rs.
Food and Beverages	8,714,460	8,271,120
House Keeping and Maintenance	8,368,622	9,369,252
Stationary, Consumables and Others	4,035,709	4,115,107
	21,118,791	21,755,480

15. TRADE AND OTHER RECEIVABLES - GROUP

	Group		Company	
	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
Trade Receivables	57,703,022	41,452,813	-	-
Other Receivables - Related Parties (Note 15.1)	-	-	107,338,566	100,914,162
Other Receivables - Other	328,175	-	-	-
	58,031,197	41,452,813	107,338,566	100,914,162

As at 31 March 2019, the ageing analysis of trade and other receivables are as follows:

	Total	Neither past due or nor Impaired	< 30 days	Past due but not impaired			
	Rs.	Rs.	Rs.	31 - 60 days	61 - 90 days	91 - 120 days	> 120 days
2019	57,703,022	48,182,969	9,520,053	-	-	-	-
2018	41,452,813	40,674,178	791,135	-	-	-	-

Provision Matrix and Impairment of Debtors

- Management has carried out an impairment provision based on the simplified approach of ECL method and no any impairment provision has been accounted for trade debtors as the ECL is insignificant. Management considered 100% ECL for debtors aged more than 90 days in determining the provision matrix for ECL.
- Refer Note 25 on credit risk of Trade Receivables, which discuss how the Group measure credit quality of Trade Receivables that are neither past due nor impairment.

15.1 OTHER RECEIVABLES - RELATED PARTIES

Company	Relationship	2019 Rs.	2018 Rs.
La Forteresse (Private) Limited	Subsidiary Company	107,338,566	100,914,162

NOTES TO THE FINANCIAL STATEMENTS

16. SHORT TERM DEPOSITS - GROUP

	2019 Rs.	2018 Rs.
Investments in Fixed Deposits	578,579,436	463,800,311

17. CASH AND CASH EQUIVALENTS IN THE CASH FLOW STATEMENT

Component of cash and cash equivalents	Group		Company	
	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
Favorable Cash and Cash Equivalent Balances				
Cash and Bank Balances	19,948,196	8,010,453	298,392	468,110
Short term deposits with 3 months or before maturity	-	7,111,800	-	-
	19,948,196	15,122,253	298,392	468,110
Unfavorable Cash and Cash Equivalent Balances				
Bank Overdraft	(1,833,681)	-	-	-
Total Cash and Cash Equivalents for the Purpose of Cash Flow Statement	18,114,515	15,122,253	298,392	468,110

18. STATED CAPITAL - COMPANY/ GROUP

	2019		2018	
	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

	2019 Rs.	2018 Rs.
Defined Benefit Obligation - Gratuity		
Balance at 1 April	14,505,038	12,331,875
Current Service Cost	2,417,988	2,125,268
Interest Cost	1,595,554	1,490,507
Actuarial Loss	511,930	282,376
Benefits paid	(1,937,430)	(1,724,988)
Balance at 31 March	17,093,080	14,505,038

The expenses are recognised in the following line items in the statement of profit and loss and other comprehensive income

Cost of Sales	832,653	702,530
Administrative Expenses	3,180,889	2,913,245
Other Comprehensive Income	511,930	282,376
	4,525,472	3,981,306

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

19.2 The principle assumptions used were as follows,

	2019	2018
Discount Rate	12%	12%
Future Salary Increment Rate	9%	8%

19.3 Sensitivity of the principal assumptions used

	Expected Future Salaries		Discount Rate	
	1% increase	1% decrease	1% increase	1% decrease
	Rs.	Rs.	Rs.	Rs.
2019				
Change in Present value of Defined Benefit Obligation	1,665,891	(1,473,794)	(1,363,569)	1,560,645
2018				
Change in Present value of Defined Benefit Obligation	922,451	(842,513)	(757,819)	842,057

19.4 The average duration of the defined benefit plan obligation at the end of the reporting period is 9.5 years (2018 - 9 Years).

20. TRADE AND OTHER PAYABLES

	Group		Company	
	2019	2018	2019	2018
	Rs.	Rs.	Rs.	Rs.
Trade Creditors	26,952,802	32,268,393	-	-
Other Payables	36,313,523	31,706,839	-	-
Accrued Expenses	7,786,990	7,070,799	1,027,725	749,294
	71,053,315	71,046,031	1,027,725	749,294

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. CONTRACT LIABILITIES

	Group	
	2019	2018
	Rs.	Rs.
Advances received for future bookings	45,478,559	40,952,208

NOTES TO THE FINANCIAL STATEMENTS

22. COMMITMENTS AND CONTINGENCIES

22.1 Capital Expenditure Commitments

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

22.2 Contingent Liabilities

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

22.3 Operating lease commitments — Group as lessee

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

	2019 Rs.	2018 Rs.
Within one year	2,236,642	2,236,642
After one year but not more than five years	11,318,735	11,318,735
More than five years	23,597,776	25,834,418
	37,153,153	39,389,795

22.4 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:

	2019		2018	
	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	5,431,879	7,135,224	5,431,879
After one year but not more than five years	13,081,244	11,737,016	20,216,468	16,578,433
Total minimum lease payments	20,216,468	17,168,895	27,351,692	22,010,312
Less amounts representing finance charges	(3,047,573)	-	(5,341,380)	-
Present value of minimum lease payments	17,168,895	17,168,895	22,010,312	22,010,312

23. RELATED PARTY DISCLOSURES

Details of significant related party disclosures are as follows:

23.1 Transactions with the Parent and Related Entities

	Subsidiaries	
	2019 Rs.	2018 Rs.
As at 1 April	100,914,162	104,428,905
Recurring related party transactions		
Settlements during the year	(110,500,000)	-
Expenses Incurred on behalf of the Company	(5,883,841)	(5,332,943)
Dividends	122,808,245	1,818,200
As at 31 March	107,338,565	100,914,162
Included in		
Trade and Other Receivables	107,338,566	100,914,162

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

23.2 Transactions with Key Management Personnel of the Company

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

23.2.1 Compensation to Key Management Personnel

	2019 Rs.	2018 Rs.
Nature of transaction		
Short Term Employment Benefits	15,793,641	14,610,000

23.3 Other Related Parties Disclosures

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

Related Party	Nature	Terms	2019 Rs.	2018 Rs.
LB Finance PLC	Investment in Fixed Deposits	Market Terms	110,000,000	15,000,000
(Investments on 3 Months and 6 Months FDs at Market Rate)	Withdrawal of Fixed Deposits	Market Terms	65,000,000	50,000,000
	Interest Income	Market Terms	4,775,055	9,512,328
	Balance as at 31 March		112,655,327	67,481,233
Vallible Finance PLC	Investment in Fixed Deposits	Market Terms	141,000,000	159,820,623
(Investments on 3 Months and 6 Months FDs at Market Rate)	Withdrawal of Fixed Deposits	Market Terms	76,820,623	10,000,000
	Interest Income	Market Terms	48,904,800	33,434,018
	Balance as at 31 March		453,933,300	385,445,622

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

NOTES TO THE FINANCIAL STATEMENTS

24. EVENT OCCURRING AFTER THE REPORTING DATE

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

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities 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 four types of risks: interest rate risk, currency risk, equity price risk and other 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 2019 and 2018.

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

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates are minimal as the Group has no long-term debt obligations with floating interest rates.

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
2019	+/- 5%	+/- 583,231	+/- 513,243
2018	+/- 5%	+/- 385,025	+/- 338,822

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.

Liquidity risk

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

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

Excessive risk concentration

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

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

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

Year ended 31 March 2019	On demand Rs.	Less than 3 months Rs.	3 to 12 months Rs.	1 to 5 Rs.	Total years Rs.
Bank Overdraft	1,833,681	-	-	-	1,833,681
Finance Leases	-	1,783,806	5,351,418	13,081,244	20,216,468
Trade and other payables	-	71,053,315	-	-	71,053,315
	1,833,681	72,837,121	5,351,418	13,081,244	93,103,464

Year ended 31 March 2018	On demand Rs.	Less than 3 months Rs.	3 to 12 months Rs.	1 to 5 Rs.	Total years Rs.
Finance Leases	-	1,783,806	5,351,418	20,216,468	27,351,692
Trade and other payables	-	71,046,031	-	-	71,046,031
	-	72,829,837	5,351,418	20,216,468	98,397,723

NOTES TO THE FINANCIAL STATEMENTS

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.

	2019 Rs.	2018 Rs.
Interest-bearing loans and borrowings (Note 13)	19,002,576	22,010,312
Trade and other payables (Note 20)	71,053,315	71,046,031
Less: cash and short-term deposits (Note 16/17)	(19,948,196)	(15,122,253)
Net debt	70,107,695	77,934,090
Equity	1,853,272,935	1,755,078,962
Total capital	1,853,272,935	1,614,521,620
Capital and net debt	1,923,380,630	1,692,455,710
Gearing ratio	4%	5%

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2019 and 2018.

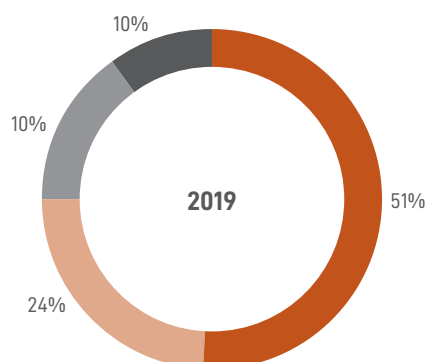
TEN YEAR SUMMERY – GROUP

(Figurs in Rs. 000 unless otherwise stated)

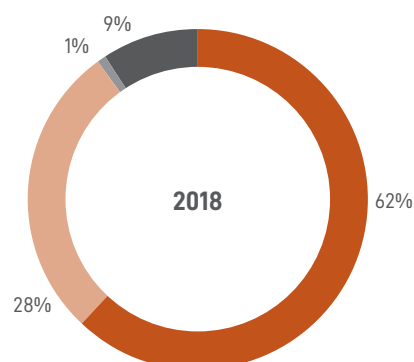
Year Ended 31 st March	2009/ 2010	2010/ 2011	2011/ 2012	2012/ 2013	2013/ 2014	2014 / 2015	2015/ 2016	2016/ 2017	2017/ 2018	2018/ 2019
TRADING RESULTS										
Turnover (Gross)	284,236	416,345	464,305	577,724	650,526	686,977	672,479	625,422	663,750	787,787
Profit from operations	118,284	248,009	242,304	321,759	350,498	342,861	353,584	266,280	250,358	336,875
Depreciation and										
Amortisation	98,972	86,950	73,529	107,601	104,259	106,006	106,006	102,924	74,221	75,494
Interest	94,826	75,027	49,521	52,445	39,244	2,795	1,126	405	3,125	2,300
Profit / (Loss) before Tax	(75,514)	86,032	119,254	161,713	206,995	234,060	246,452	162,951	173,012	259,081
STATED CAPITAL & RESERVES										
Stated Capital	1,108,867	1,108,867	1,108,867	1,108,867	1,108,867	1,108,867	1,108,867	1,108,867	1,108,867	1,108,867
Revenue Reserves	(688,407)	(604,009)	(484,993)	(70,785)	105,893	295,300	371,832	505,655	646,211	744,405
Other Reserves	124,373	124,373	124,373	-	-	-	-	-	-	-
Shareholders' Funds /										
Net Assets	544,833	629,231	748,247	1,038,082	1,214,760	1,404,167	1,480,699	1,614,522	1,755,079	1,853,105
Long Term Loans										
Deferred Liabilities	651,453	492,963	359,832	324,000	45,000	-	-	33,298	22,010	17,169
Capital Employed	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	1,870,274
ASSETS EMPLOYED										
Current Assets	123,225	86,247	148,523	304,569	287,758	487,051	666,594	431,189	583,071	716,951
Current Liabilities	70,501	60,781	120,826	126,420	137,295	88,955	110,753	107,756	130,498	137,998
Working Capital	52,724	25,466	27,697	178,149	150,463	398,096	555,841	323,433	452,573	578,953
Fixed Assets	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	1,347,190
Capital Employed	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	1,926,143
RATIO & STATISTICS										
Gearing (%)	54%	44%	32%	24%	4%	-	-	2%	1%	1%
Current Ratio (times)	1.75	1.42	1.23	2.41	2.10	5.48	6.02	4.00	4.47	5.20
Earnings/(Loss) Per Share (Rs.)	(0.71)	0.76	1.07	1.39	1.59	1.71	1.69	1.22	1.27	1.89
Net Assets Per Share	4.91	5.67	6.75	9.36	10.95	12.66	13.35	14.56	15.83	16.71
Return On										
Capital Employed (ROCE)	-7%	8%	11%	12%	16%	17%	16%	10%	8%	11%
Return On Equity	-14%	14%	16%	16%	17%	17%	17%	10%	8%	11%
Debt to Total Assets	51%	42%	29%	22%	3%	-	-	2%	1%	1%
Interest Cover (times)	0.20	2.15	3.41	4.08	6.27	85	220	402	55	113
Earnings Before Interest &										
Tax (EBIT)	19,312	161,059	168,774	214,158	246,239	236,855	247,578	163,356	176,137	261,381
Asset Turnover	25%	38%	43%	49%	59%	66%	69%	46%	36%	41%

GROUP VALUE ADDED STATEMENT

	2019 Rs. 000's	2018 Rs. 000's
Direct economic value generated		
Revenue (including other income)	793,717	674,328
Finance income	55,117	44,310
Proceeds from sale of Property , Plant & Equipment	7,174	10,853
	856,008	729,491
Economic Value distributed		
Operating costs	391,378	371,389
Employee wages and benefits	189,526	171,112
Payments to providers of funds	113,186	3,125
Payments to government	80,179	57,023
	774,269	602,649
Economic value retained	81,739	126,842



- Operating costs
- Employee wages and benefits
- Payments to providers of funds
- Payments to government



- Operating costs
- Employee wages and benefits
- Payments to providers of funds
- Payments to government

SHAREHOLDER INFORMATION

TWENTY LARGEST SHAREHOLDERS AS AT 31ST MARCH

Name	2019		2018	
	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	1,496,000	1.349	1,579,401	1.424
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	775,861	0.700
14 Seylan Bank PLC/ Bertram Manson Amarasekara	550,000	0.496	550,000	0.496
15 Mr D J De Silva Wijeyeratne	471,628	0.425	-	-
16 Anverally and Sons (Pvt) Ltd A/C No 01	373,810	0.337	373,810	0.337
17 Motor Service Station (Private) Ltd	353,678	0.319	350,078	0.317
18 Royal Ceramics Lanka PLC.	336,100	0.303	336,100	0.303
19 Acuity Partners (Pvt) Limited/ Mr.arumapurage Peter Lasantha Fernando	332,210	0.300	297,760	0.269
20 Seylan Bank PLC/A.m. Nimesha Anuruddha Abeykoon	294,451	0.266	294,451	0.266
	99,912,892	90.104	99,771,681	89.976
Other	10,973,792	9.896	11,115,003	10.024
	110,886,684	100.000	110,886,684	100.000

SHARE DISTRIBUTION

Shareholding as at 31st March 2019

From	To	No of Holders	No of Shares	%
1	1,000	1,261	457,250	0.41
1,001	10,000	620	2,298,873	2.08
10,001	100,000	180	5,038,667	4.54
100,001	1,000,000	29	9,176,889	8.28
Over	1,000,000	9	93,915,005	84.69
		2,099	110,886,684	100.00

CATEGORIES OF SHAREHOLDERS

Local Individuals	1,948	24,499,009	22.09
Local Institutions	127	86,038,634	77.59
Foreign Individuals	24	349,041	0.31
Foreign Institutions	0	0	0.00
	2,099	110,886,684	100.00

SHAREHOLDER INFORMATION

Directors' & CEO's Shareholding as at 31st March 2019

	No of Shares	%
Mr. Dhammika Perera	10,329,317	9.315%
Mr. K D H Perera	NIL	-
Mr. J A S S Adhihetty	13,741	0.012%
Mr. Malik J Fernando	833,333	0.752%
Mr. Merril J Fernando	2,124,400	1.916%
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. C. U Weerawardena	Nil	-
Mr. R E U De Silva	Nil	-
Mr. H Somasantha	Nil	-
(Alternate Director to Mr. L T Samarawickrama)		
Ms. A.A.K.Amarasinghe		
(Alternate Director to Mr. Dhammika Perera)	NIL	-
Mr. A H N Rodrigo (Alternative Director to Mr. Malik J Fernando)	NIL	-

Share Prices for the Year

	As at 31/03/2019	As at 31/03/2018
Market price per share		
Highest during the year	Rs. 11.70 (29-06-2018)	Rs.14.80 (17-01-2018)
Lowest during the year	Rs. 8.60 (12-10-2018)	Rs.9.00 (26-12-2017)
		Rs.9.00 (25-01-2018)
As at end of the year	Rs. 10.00	Rs.10.50

Public Holding

The Public Holding percentage as at 31 March 2019 – 18.19 %

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Thirty Fifth (35th) 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 27 June 2019 at 11.00 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 31 March 2019 with the Report of the Auditors thereon.
2. To declare a Dividend as recommended by the Directors.
3. To pass the ordinary resolution set out below to re-appoint Mr. Merril J Fernando, who is 89 years of age, as a Director of the Company.
"IT IS HEREBY RESOLVED that Mr Merril J Fernando who has attained the age of 89 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."
4. To re-elect Mr. Malik J Fernando 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. D E Siva 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. Chatura V Cabraal who retires by rotation pursuant to the provisions of Article 84 of the Articles of Association of the Company, as a Director.
7. To re-elect Mr. C U Weerawardane who retires pursuant to the provisions of Article 91 of the Articles of Association of the Company, as a Director.
8. To re-elect Mr. R E U de Silva who retires pursuant to the provisions of Article 91 of the Articles of Association of the Company, as a Director.
9. To re-appoint Messrs. Ernst & Young, Chartered Accountants, as the Auditors of the Company and to authorize the Directors to fix their remuneration.
10. To authorize the Directors to determine donations for the year ending 31st March 2020 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
15 May 2019

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 11.00 a.m. on 25 June 2019.

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. L T Samarawickrama	or failing him*
Mr. K D H Perera	or failing him*
Mr. J A S S Adhihetty	or failing him*
Mr. Malik J Fernando	or failing him*
Mr. Merrill J Fernando	or failing him*
Mr. L N De Silva Wijeyeratne	or failing him*
Mr. D E Silva	or failing him*
Mr. Jan P Van Twest	or failing him*
Mr. Chatura V Cabraal	or failing him*
Mr. C U Weerawardane	or failing him*
Mr. R E U de Silva	or failing him*

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 27 June 2019 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 declare a Dividend as recommended by the Directors.	<input type="checkbox"/>	<input type="checkbox"/>
2) To re-appoint Mr. Merrill J Fernando who is 89 years of age, as a Director of the Company pursuant to the provisions of the Companies Act No.7 of 2007.	<input type="checkbox"/>	<input type="checkbox"/>
3) To reelect Mr. Malik J Fernando, who retires in terms of Article 84 of the Articles of Association as a Director of the Company	<input type="checkbox"/>	<input type="checkbox"/>
4) To re-elect Mr. D E Siva, who retires in terms of Article 84 of the Articles of Association as a Director of the Company	<input type="checkbox"/>	<input type="checkbox"/>
5) To re-elect Mr. C V- Cabraal, who retires in terms of Article 84 of the Articles of Association as a Director of the Company	<input type="checkbox"/>	<input type="checkbox"/>
6) To re-elect Mr. C U Weerawardane, who retires in terms of Article 91 of the Articles of Association as a Director of the Company	<input type="checkbox"/>	<input type="checkbox"/>
7) To re-elect Mr. R E U de Silva, who retires in terms of Article 91 of the Articles of Association as a Director of the Company	<input type="checkbox"/>	<input type="checkbox"/>
8) To appoint Messrs Ernst & Young as Auditors and to authorise the Directors to determine their remuneration	<input type="checkbox"/>	<input type="checkbox"/>
9) To authorize the Directors to determine donations for the year ending 31st March 2020 and up to the date of the next Annual General Meeting.	<input type="checkbox"/>	<input type="checkbox"/>

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

.....
Signature of Shareholder/s

*Please delete as appropriate

Notes

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

FORM OF PROXY

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 11.00 a.m. on 25 June 2019.
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.K D H Perera (Managing Director)
Mr. J A S S Adhihetty
Mr. Malik J Fernando (Alternate Director Mr. A H N Rodrigo)
Mr. Merril J Fernando
Mr. C U Weerawardane
Mr. R E U de Silva
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

SUBSIDIARY COMPANIES

La Forteresse (Private) Limited
Summer Season Mirissa (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



Printed by Printel (Pvt) Ltd



THE FORTRESS RESORT & SPA

SRI LANKA

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