

TRUE TO OUR NAME





TRUE TO OUR NAME

At the Fortress Resort and Spa, strength and stability make us who we are. True to our name, in the face of challenges, we remain undaunted and resolute, determined to rise above and shine brighter.

Which is why, apart from the stunning architecture coupled with spectacular beaches and immaculate service, your experience with us is always memorable and truly cherished.

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Awards and Recognition



Award Name
Sri Lanka Tourism Development Authority

Received for
Bronze Winner for National Sustainable Tourism Certification – 2019

Award valid for
2019

International / Local
Local



Award Name
Bocuse d'Or Sri Lanka 2019

Received for
Gold Medal Winner

Award valid for
2019

International / Local
Local



CONDÉ NAST
johansens
Luxury Hotels • Spas • Venues

Award Name

Conde Nast Johansens

Received for

Excellence Award for Best Luxury
Value 2020

Award valid for

2020

International / Local

International



CEYLON
TEA MASTERS
CUP™

Award Name

Ceylon Tea Masters Cup

Received for

Winner – Tea Mixology Deep
South Region

Award valid for

2019

International / Local

Local - Regional

Group Financial Highlights

Year Ended 31st March		2020	2019	2018
Earnings Highlights and Ratios				
Revenue	Rs'000	489,320	787,787	663,750
Earnings before interest and tax (EBIT)	Rs'000	62,887	261,381	176,137
Group profit before tax (PBT)	Rs'000	52,332	259,081	173,012
Group profit after tax (PAT)	Rs'000	27,381	209,521	140,799
Group profit attributable to the shareholders	Rs'000	29,292	209,081	140,556
Earnings per share (EPS)	Rs.	0.25	1.89	1.27
EPS growth	%	(87)	49	4
Interest cover	No of times	6	114	56
Return on equity	%	2	11	8
Pre - tax ROCE	%	3	14	10

Balance Sheet Highlights and Ratios

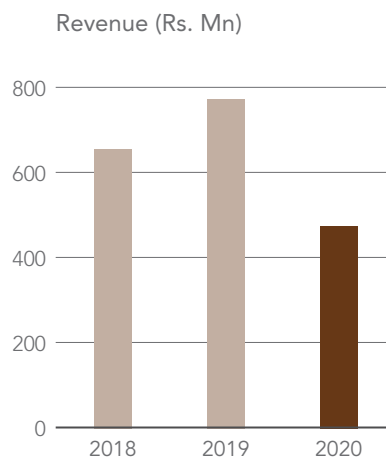
Total assets	Rs'000	2,160,995	2,064,141	1,958,645
Total debt	Rs'000	148,415	17,169	22,010
Total shareholder's funds	Rs'000	1,771,678	1,853,273	1,755,079
No. of shares in issue	Number	110,886,684	110,886,684	110,886,684
Net assets per share	Rs.	15.98	16.71	15.83
Debt/Equity	%	8	0.93	1.25
Debt/Total assets	%	7	0.83	1.12

Market / Shareholder Information

Market price of share as at 31st March	Rs.	7.80	10.00	10.50
Market capitalisation	Rs'000	864,916	1,108,867	1,164,310
Price earnings ratio	No of times	31.20	5.29	8.27
Dividend per share	Rs.	1/-	1/-	1/-
Dividend pay out ratio	%	404	53	79

Operational Information

Average occupancy	%	41	67	60
Number of room nights sold	Room nights	8,047	12,961	11,641
Room revenue	Rs'000	282,170	473,991	399,761
Average room rate (ARR)	Rs.	35,065	36,571	34,341
Revenue per occupied room	Rs.	60,913	61,154	57,927
Net profit per room	Rs'000	553	3,945	2,652





489

Revenue (Rs. Mn)

52

PBT (Rs. Mn)

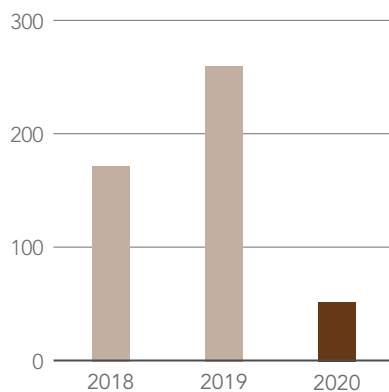
63

EBIT (Rs. Mn)

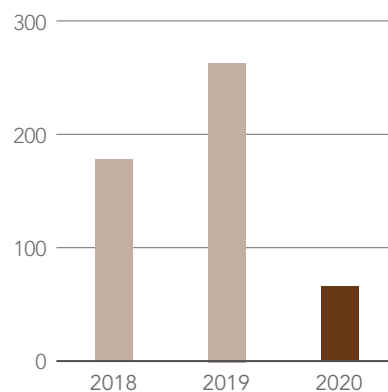
06

Interest Cover (Times)

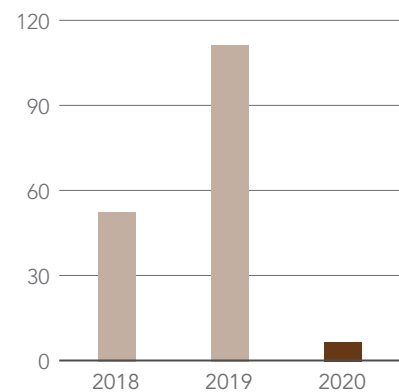
Group PBT (Rs. Mn)



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



Interest Cover (Times)



Non - Financial Highlights



207
Employees



10
Weddings

22

Ocean Rooms Renovated



480hrs Training

Chairman's Review



“The performance of the global tourism industry in 2019 amounted to an all-time high that unfortunately will not be repeated in 2020, or even 2021 owing to the historic disruptions caused by the COVID-19 pandemic. In 2019 global tourist arrivals expanded to 1.5 billion, as compared to a previous 1.4 billion”

Dhammika. Perera
Chairman

Dear Shareholder

It is my honour to present the Annual Report and Statement of Accounts of The Fortress Resorts PLC (TFR) for the financial year ended 31st March 2020. The year in review saw the emergence of immense challenges at every level of the economy. Given these mitigating factors, we are proud to report another resilient performance by our organization and its people.

Unfortunately the year in review was bookended with unprecedented tragedy and strife as a result of 21st April terrorist attacks and the onset of the COVID-19.

Hence at the outset, we wish to once again pay our respects to the hundreds of lives violently ended or forever impacted by the terrorist attacks and for the thousands of lives already lost globally to the pandemic.

Both of these disasters have resulted in the most severe social and economic disruptions in Sri Lanka's modern history. The occurrence of these events within a 12-month span of each other has further exacerbated their collective impact, and as at the end of the year in review, is yet to be fully evaluated and understood.

From an economic perspective, the tourism and hospitality sector was among the first and hardest hit by these developments. In the immediate aftermath of the Easter attacks, cash flows across the industry were heavily constrained, with cancellations increasing at an unprecedented rate.

With the successful conclusion of Presidential elections in November 2019, Sri Lanka was once again on its way to a strong recovery. Within a span of a few months the country's security situation was stabilized, and with stronger measures in place to ensure the safety of all citizens and visitors to the country, the economy and the tourism and hospitality sector in particular was well on its way to an outstanding recovery when the first cases of COVID-19 were detected in December 2019.

Within just three months, the viral pandemic had led to a total global shutdown of all non-essential activities and public interactions in an effort to contain the spread of the virus.

This second crisis resulted in all economic and social activities being brought to an unprecedented and total standstill. At the time of publication of this report, nations

and industries across the globe are now tentatively seeking to cautiously reopen while protecting against further transmission of the virus and the potential overburdening of healthcare systems - as was tragically seen in Italy and the United States of America.

At the same time, the strong, science-based and decisive mobilization and resulting public compliance displayed by China, South Korea, Singapore, Vietnam and New Zealand show great promise and a potential way out of the current crisis.

From a local perspective, it is clear that in charting a sustainable path to recovery our nation faces its greatest challenge to date. In that regard, we wish to place on record our sincere appreciation for the decisive leadership and unwavering commitment shown on the part of Government and public health officials in containing transmission of the virus, ensuring effective treatment protocols, and strategically reopening sectors of the national economy in an effort to put Sri Lanka on the right track for a rapid return to normalcy.

According to the best data available, global cases are projected to peak on or before the second week of July, after which a gradual reduction in COVID-19 cases is anticipated while a viable vaccine for the virus is likely to take at least another year to develop.

The ramifications of these facts are immense and far-reaching. Given these uncertain timelines and the significant volatility we face moving forward, it is now essential that the public and private sector work in close partnership in order to revive the economy and re-align the nation to take advantage of every possible opportunity that emerges in a post-COVID landscape.

In the interim, strategic support will have to be channeled towards industries, enterprises and individuals that are currently facing a complete halt in terms of income generating capabilities. Given the essential contributions which the tourism and hospitality sector makes towards the stability of the wider economy, and the dire circumstances which the industry is currently facing, support for the industry, and strategic investments will have to be made to promote a rapid and sustainable recovery plan.

Global Economy

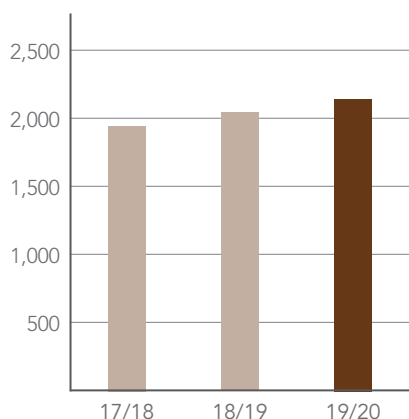
As noted at the outset, the year in review was filled with turbulence across the world. The global economy in 2019 was already on a downward trend in virtually all major economies and geographic areas except Africa and as at the end of the year in review, fears over a global economic recession are now all but guaranteed as a result of the COVID pandemic.

On average, global GDP stood at 2.9% in 2019, as compared with 3.1% in 2018. This amounted to the slowest rate of global economic expansion since the global financial crisis on 2008 and was caused by a combination of factors including a sharp reduction in international trade flows and global manufacturing activity.

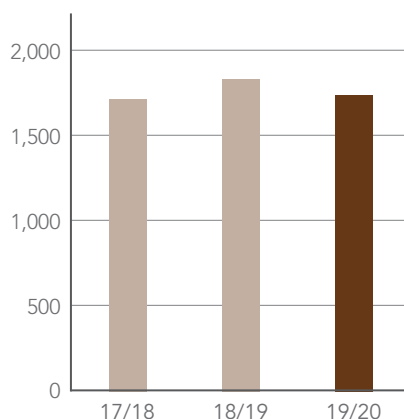
Rising tariffs and rapid shifts in trade policies caused a weakening of business confidence which was reflected in dampening investment growth across most regions, which also caused weaker demand in commodities, as reflected in weaker prices, particularly for oil and industrial metals.

Throughout 2019, increases in U.S. petroleum production put downward pressure on crude oil prices which averaged US\$64 per barrel in 2019, as compared with US\$71 in 2018.

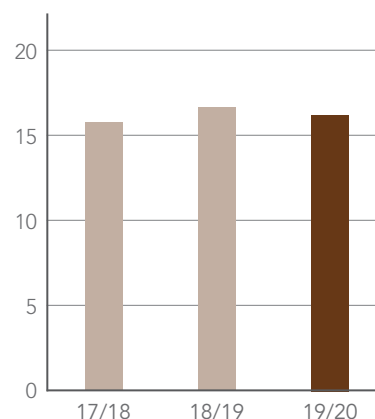
Total Assets (Rs. Mn)



Shareholder's Funds (Rs. Mn)



Net Assets Value Per Share (Rs.)



Chairman's Review

In the final quarter of the financial year, these prices were further deflated by an oil price war as both Russia and Saudi Arabia drastically increased production resulting in a collapse in oil prices down to US\$32 in March 2020, and US\$18 in April 2020. While providing a significant boon to nations like Sri Lanka which are highly dependent on oil imports, the ongoing price war is likely to cause significant disruptions for oil producing nations.

The unprecedented level of global volatility was perhaps best demonstrated in the world's largest economy, the United States where GDP growth fell from 2.9% in 2018 and slowed to 2.3% in 2019 and was projected to fall further to 1.9% in 2020. This projection was prior to the outbreak of COVID-19 which has totally disrupted the US economy, as unemployment rates spiked from 4.4% as at the end of the financial year, up to an unprecedented 14.7% as at May 2020.

Given its role throughout the majority of the 20th century as the undisputed economic powerhouse, the sharp and increasingly unpredictable decline of the US – economically and socio-politically – will undoubtedly have lasting implications for the global economic order and for better or worse, 2020 will be remembered as a watershed year with Presidential elections looming large in November 2020.

Similarly, the European Union also displayed weaker economic performances in 2019, with GDP growth dropping further from 2.1% in 2018 down to 1.2% in 2019, and is projected to trend further downwards to 0.8% in 2020 according to the most conservative estimates.

Among the most developed economies in the EU, France recorded the strongest growth in GDP for 2019 at 1.3% followed by Germany and Italy at 0.6% and 0.2% respectively. All three nations are however anticipating a recession in 2020, with Italy being among the worst hit in the initial months of the COVID pandemic.

These disruptions are likely to be further compounded by the continuing issue of Brexit, which has received a further popular mandate following the conclusion of elections and the victory of the Tory party. The cumulative impact of these factors resulted in the UK economy edging closer to a recession in 2019 when the nation recorded 0% growth, as compared with 1.4% in 2018.

Meanwhile, the Russian economy – which is another important source of tourism for Sri Lanka – saw GDP fall from 2.3% down to 1% in 2019. Given the combined

disruptions caused by the COVID pandemic and the ongoing oil price war with Saudi Arabia, the Russian economy too is likely to hit a period of deep uncertainty over the short to medium term.

By contrast, growth in the Asian region proceeded at a stronger pace with the East Asian region in particular remaining the fastest growing and the largest contributor to global growth. However, when compared to past performances, a definite downward trend in growth was evidenced during the period in review.

China, the world's second largest economy and the region's largest economic powerhouse, posted growth of 6.1% in 2019, as compared with a previous 6.6%. However given the ongoing trade disputes between China and the U.S. and the sharp deceleration in trade activity globally in the wake of the COVID-19 pandemic, Chinese GDP is currently forecast to plunge to 2.5% - its lowest rate in nearly half a century.

Meanwhile economic prospects in India, the region's second largest economy, also showed growing signs of a slowdown even prior to the pandemic as GDP fell from 6.1% in 2018 down to 4.9% in 2019. While the Indian economy was initially to achieve a strong recovery in 2020 – with initial projections predicting growth of 7.4%, the ongoing pandemic dealt a critical blow to these targets and currently the World Bank anticipates that as a result, growth will further contract by 3.2% by the end of 2020.

Global Tourist Industry

The performance of the global tourism industry in 2019 amounted to an all-time high that unfortunately will not be repeated in 2020, or even 2021 owing to the historic disruptions caused by the COVID-19 pandemic. In 2019 global tourist arrivals expanded to 1.5 billion, as compared to a previous 1.4 billion.

Subsequently, global arrivals dropped sharply by an estimated 22% Year-on-Year (YoY) between January and March 2020 – translating to as much as US\$ 80 billion in lost exports. Current projections for a recovery in the global tourism industry – which had hitherto been considered among the most resilient and leading sources of economic growth – are now highly dependent on the success which nations across the world achieve in eliminating the transmission of COVID-19. However, at present it is estimated that global arrivals will collapse by between 60-80% YoY by the end of 2020.

This places millions of livelihoods at risk and threatens to roll back progress made in advancing the Sustainable Development Goals with as much as 120 million jobs now at risk globally in one of the most labour intensive sectors of the global economy. In total this could amount to as much as 1.1 billion fewer tourist arrivals in 2020 and a loss of export revenues of between US\$ 910 billion to US\$ 1.2 trillion. All told, the industry went from being on the strongest continuous growth trajectories to facing its most severe crisis since record keeping began in the 1950s; all within a matter of a few weeks.

However, the most encouraging news coming out of the post-COVID landscape is the fact that Asian region is currently anticipated to record the fastest recovery, while the negative impact to MICE tourism globally is expected to exceed that of personal and recreational travel.

While the pandemic continues to ravage nations globally, a degree of normalcy is gradually returning in some countries and regions which have passed the stage of peak infection. Nevertheless it is clear that travel and tourism as it was conducted prior to the pandemic is unlikely to fully return, with international travel restrictions remaining in place to avoid importing new COVID-19 cases.

To support their tourism sectors, countries may purposefully restrict outward travel and encourage local and regional tourism as a partial substitute over the short to medium term. Undoubtedly, the industry will require direct and extensive support from national governments in order to prevent further exacerbation of an already critical scenario.

Meanwhile, competition for dwindling tourist spends is expected to sharply increase over the medium term, giving rise to an entirely new competitive differentiator in the form of health and hygiene – over and above the already fierce competition based on traditional factors like the attractiveness, diversity, novelty and authenticity of destinations, as well as other primary considerations such as pricing, and ease of access – the latter two of which will undoubtedly be dictated to a great extent by the pandemic and its resulting impacts.

Sri Lankan Economy

In a year fraught with historic instability the Sri Lankan economy was severely disrupted by the twin shocks of the Easter Sunday attacks at the start of the year and the global outbreak of COVID-19 in the final quarter of FY20. The macroeconomic shocks generated by the Easter Attacks were felt first and fastest in the tourism and hospitality



sector, and quickly spilled over into other sectors of the economy as well.

Meanwhile, the COVID pandemic has forced the global economy into its worst downturn since the Great Depression as entire national economies across the world ground to a halt, with only the most essential industries and services remaining operational during the lockdown period. These severe twin disruptions resulted in a further contraction in GDP growth for the Sri Lankan economy, down from 3.2% YoY in 2018 to a historic low of 2.7% - the lowest rate since 2002.

At the conclusion of the financial year, lockdown orders were still largely in force in Sri Lanka, and particularly in the Western Province, meaning that the full extent of the economic impact of the COVID pandemic is still on-going and yet to be fully assessed. What is clear is that all three primary sectors of the economy – agriculture, industry and services - will be severely negatively impacted with the majority of this impact being reflected in the next financial year (FY20/21).

During the period in review, the agriculture sector's growth rate dropped off from 4.8% YoY in 2018 down to 3.4% YoY in 2019, owing to a combination of factors including adverse weather conditions and supply chain disruptions caused by the Easter attacks and the resultant drawing down of demand for produce from tourism and hospitality sectors.

Chairman's Review

Meanwhile, the growth in the industrial sector rebounded to 2.6%YoY, as compared with just 0.9% YoY in 2018, mainly supported by improvements in the performance of the textile and apparel sub-sectors, as well as a revival in construction, mining and quarrying activities. However, with the onset of the pandemic, all of these sub-sectors have been significantly disrupted, meaning that all gains registered during the year in review are likely to be reversed in the coming financial year.

Lastly the services sector – which had previously been one of the strongest contributors to GDP – also registered a sharp reduction in growth from a robust 4.7% YoY in 2018 down to 2.6% YoY. The difference in performance was a result of sector-wide contractions in everything from tourism and hospitality to banking, and finance, and wholesale and retail trade – all of which were shocked into stagnation following the Easter attacks, and subsequently by the COVID pandemic which brought the sector to a virtual standstill.

While inflation was largely contained at mid-single digit levels, a key concern at the grassroots level was the sudden spike in food inflation which rose to 8.6% in December 2019 and hit 13.7% in January 2020 – the highest levels for food inflation since 2017.

Meanwhile, a sharp 10.3% YoY contraction in import expenditure supported marginal improvements in the country's trade deficit from USD 10.3 billion down to USD 8 billion together with minor improvements in export performance.

External sector performance was hindered by the sharp 18% YoY contraction in tourism earnings down to USD 3.59 billion and a further 4.3% YoY contraction in worker remittances down to USD 6.72 billion. Following the conclusion of Presidential elections in 2019, the Sri Lankan economy had initially shown promising signs of recovery as tourism began parallel to a re-stabilisation of the island's security situation, however the COVID pandemic reversed all gains made subsequent to April 2019. Hence while the Sri Lankan economy had initially been projected to grow at a rate of 3.3% YoY, these projections will inevitably be revised downwards as the Sri Lankan economy faces its most significant challenge yet.

Domestic Tourism Industry

In 2018, Sri Lanka was ranked as the world's number one tourist destination, and maintained this position in 2019 even in the aftermath of the Easter Sunday attacks. In the immediate aftermath of these tragic events, the industry recorded a 70% drop in tourist arrivals however, supported by the strong underlying value of Sri Lanka as a destination and in particular the resilience and unity of its people, the country and the nation displayed a remarkable recovery and within a few months, the industry and the wider economy was again on the road to recovery.

In the interim, most hospitality providers responded by slashing rates in a bid to attract visitors back to their properties with limited success. During this time, there was also a strong pivot to attract more local tourists and while international arrivals gradually improved, they never returned to the heights witnessed in 2018. Nevertheless, the end of 2019 and the peak December season saw a strong improvement in arrivals with only a 20% YoY reduction during that period, supported to a large extent by arrivals from Russia. Meanwhile, many other first time and repeat visitors were also making travel plans to visit Sri Lanka in solidarity with the country and its people.

These efforts were also supported by multiple highly commendable initiatives undertaken by the Sri Lankan Tourism authorities to promote a revival of the industry at international travel forums while moratoriums on both capital and interest payments related to credit facilities obtained by registered businesses in the tourism industry were established. These moratoriums which were to be valid until end March 2020 have been extended due to the outbreak of the COVID-19 pandemic. In addition to the debt moratorium, a separate relief package was introduced by the government, in May 2019, focusing mainly on informal sector stakeholders of the tourism sector.



“Undoubtedly, our industry will require immense support in order to prevent further adverse reactions, and we are encouraged by the initiatives already taken in this regard. However, we believe that every crisis brings with it an opportunity. Sri Lanka’s rising prominence as a must-visit tourist destination had brought with it valid concerns as to the sustainability of the industry – particularly in terms of straining existing infrastructure as well as notable concerns about environmental impact and pollution”

As a result, while the industry was severely constrained, it was still able to perform admirably in the face of unprecedented challenges. Arrivals in the month of November recorded only a decline of 9.5% while this decline further lowered to 4.5% in December. These statistics indicate that Sri Lanka’s tourism sector almost completely recovered within 7 months after the terrorist attacks, which is less than the average time of 13 months as estimated by the World Travel and Tourism Council. However, the negative impact of the outbreak of the COVID-19 pandemic on global and domestic tourism will be reflected in the number of tourist arrivals in 2020.

Unfortunately, with news of the COVID pandemic emerging out of China from December 2019, the anticipated resurgence of the industry was once again jeopardized. While arrivals to Sri Lanka continued in January, arrivals were negatively impacted in February and with the declaration of COVID-19 as a global pandemic by the World Health Organisation in March 2020, travel and tourism globally jarred to a total halt.

The impact on the industry has been even more intense and prolonged than what was seen as a result of the Easter attacks while the historic economic disruption created by the subsequent global lockdown is likely to shrink the size of the global tourism market even further. While decisive leadership by the President and health authorities has played an invaluable role in mitigating the transmission of COVID-19 in Sri Lanka, it appears inevitable that the travel and tourism industry will be forever altered by these unprecedented developments.

Given these major disruptions, total tourist arrivals in Sri Lanka declined by 18% YoY down to 1.9 million in 2019 while earnings were provisionally estimated at US dollars

3,592 million during 2019, compared to US dollars 4,381 million during the corresponding period of 2018.

Hence the need of the hour is now centered for full cooperation between all stakeholders and the Government in order to re-develop and execute strategies that will help to mitigate these drastic disruptions while setting in place comprehensive hygiene and safety protocols in order to ensure that when tourists do begin to return to Sri Lanka, they can have complete confidence that all possible measures have been taken to protect guests and all whom they come into contact with from the risk of further transmission of the virus.

At present, Sri Lanka is on track to reopen for tourism by August 2020, and on behalf of our industry colleagues, we express our sincere gratitude and appreciation to the Government for its invaluable leadership in containing the crisis and especially to frontline health workers for their tireless dedication.

Undoubtedly, our industry will require immense support in order to prevent further adverse reactions, and we are encouraged by the initiatives already taken in this regard. However we believe that every crisis brings with it an opportunity. Sri Lanka’s rising prominence as a must-visit tourist destination had brought with it valid concerns as to the sustainability of the industry – particularly in terms of straining existing infrastructure as well as notable concerns about environmental impact and pollution.

We therefore encourage all stakeholders to use the current standstill in the industry to carefully evaluate how they can enhance the resilience and sustainability of their operations, and re-align their business models to capture emerging opportunities in tourism and hospitality in the context of a post-COVID landscape.

Chairman's Review

Moving forward, it is vital that leaders in the private and public engage in discussion and collaboration in order to similarly identify opportunities that can be prioritized and leveraged on for the benefit of both the formal and informal hospitality sectors and the wider economy. In the short term, this will include increasing our focus on attracting local tourism back to leisure properties across the island in order to partially mitigate negative top line impacts.

At a national level we believe that special attention needs to now be focused on progressive investments which can be made in order to enhance experiences for tourists that do visit Sri Lanka in the coming months. Airline connectivity will be a critical pre-requisite in that regard, particularly with regard to facilitation of private jets and concierge services for high spending VIPs and VVIPs; potentially leveraging free capacity available at the Ratmalana Airport.

Strategic efforts will also need to be made to promote Sri Lanka and improve connectivity between Sri Lanka and nations which have passed the stage of peak infections of COVID-19, as they will be best suited over the short-medium term for travel and tourism opportunities. Special considerations will also be required towards balancing revenue considerations with extension of pre-approved visas for such nations – potentially with reduced or free visa on arrival facilities.

Similarly, the experience of travelers to BIA needs to be streamlined to ensure convenience and ease of use

including the introduction of automated immigration gates (eGates) to aid and increase the speed of clearance and enhance efficiencies.

The lull in traffic to and from BIA also presents an unprecedented opportunity for officials to regulate and optimize taxi – both cars and vans - and other transport services for visitors to the airport.

Once tourists have entered the country there are several other low-cost opportunities that can be capitalized upon such as the introduction of mobile application with information on street food vendors including the location and directions via Google Maps, to attract and inform local and foreign visitors, standardise guidelines for maintaining rental spaces and apartments and to encourage people to list properties via online rental platforms such as Airbnb.

Sri Lanka also needs to urgently prioritise conservation of its cultural and environmental heritage sites by establishing standards for formal and informal hospitality providers and related fields operating in such areas, as well as introducing integrated open cafes and dedicated retail spaces and visitor centres.

Similarly, the public and private sector can also seek out opportunities to collaborate on restoring and maintaining landscape, improving and maintaining public toilets and providing clean drinking water facilities. Such efforts could even extend to concepts like 'volun-tourism' whereby guests and visitors could also play a part in such programmes, potentially strengthening relationships between local and foreign tourists and regional communities.

All of these initiatives will of course have to be balanced against the continuing impacts of health and economic impacts resulting from the COVID pandemic. What is essential is that the our industry is supported and internally geared to capturing every possible opportunity that emerges in an agile and proactive manner.



Acknowledgement

It is clear that the past year has created some of the most difficult challenges that our nation and our industry has ever faced. Such unprecedented and volatile conditions require equally novel, agile and innovative strategies in order to ensure that our industry is able to adapt and eventually thrive. At an organizational level, we must also seek out every opportunity available to us, and this will require a greater level of flexibility and creativity in order to offer novel leisure and hospitality experiences that balance luxury with affordability. In order to succeed in this endeavour, our people will be one of our strongest assets, hence we remain deeply committed to putting our employees first despite the extremely challenging operating environment and uncertain future that lies ahead.

In concluding our assessment of the year in review, we wish to extend our heartfelt gratitude to our Board of Directors for their unwavering support and invaluable guidance in managing our business and ensuring its survival and adaptability through this unprecedented moment in history.

We also express our gratitude to our team of employees and management for their outstanding commitment and resolve. Our success is a direct result of their unwavering efforts and we remain totally committed to protecting their interests as we collectively face the challenges that lay ahead with dedication, creativity, and determination.



Dhammika. Perera
Chairman

09 June 2020



Managing Director's Report



“Tragically, the start of the financial year was marred by the Easter Attacks which resulted in irreparable loss of life. In its aftermath, tourist arrivals collapsed from a net reduction of 7.5% YoY to a historic one month drop of 70.8% YoY”

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

K.D.H. Perera
Managing Director

We are honoured to present our esteemed stakeholders with the Annual Report and Audited Statement of Accounts of the Fortress Resorts PLC (TFR) for the year ended 31st March 2020. The following chapters of this report contain clear, comprehensive and reliable data relating to the performance of the company during the period in review, in keeping with our abiding commitment to ensuring transparency, accountability and good governance of TFR.

As our esteemed Chairman has elaborated, the year in review was filled unprecedented challenges for the Sri Lankan hospitality industry as a result of the 21st April terrorist attacks and the onset of the COVID-19 pandemic. These conditions resulted in some of the worst shocks to the entire industry, and imposed severe limitations on the performance of the entire tourism and hospitality industry.

In the aftermath of the Easter attacks, tourist arrivals over the next three months were heavily impacted, but quickly started to show promising signs of a recovery towards the commencement of the peak December season. By contrast, the entire global industry came to a complete standstill following the COVID-19 pandemic. While this unprecedented crisis began to unfold in the final weeks of the financial year, the full impact of the pandemic is as yet

unclear, but will almost certainly have an even more severe and long-lasting impact on the tourism and hospitality industry.

In the face of such extreme challenges, our pride in the performance and underlying strengths of TFR shines through much stronger. Our resort continues to stand out as a beacon of timeless, luxurious South Coast hospitality – blending tasteful design and décor with supreme comfort, exquisite cuisine and effortless entertainment. Together with the resplendent charm of the Koggala coast, these are features which continue to ensure that TFR remains the pre-eminent destination for discerning holiday makers from across the globe, and across Sri Lanka as well.

Given these powerful attractions, and – by contrast - the immensely challenging operating environment prevalent during the last financial year, we are pleased to report that TFR was nevertheless able to maintain its profitability despite significant reductions in occupancy and turnover. Unfortunately our greatest challenges are still ahead of us, however, we continue to hold utmost confidence in the ability of TFR to weather the difficult months ahead, and ultimately emerge in an even stronger position than before.

Key Industry Dynamics

Prior to the commencement of the last financial year, the Sri Lankan tourism industry was poised on the cusp of greatness. Tourism arrivals had reached an all-time high of over 2.3 million arrivals in 2018, while the period from January to March 2019 each recorded notable Year-on-Year (YoY) improvements.

Tragically, the start of the financial year was marred by the Easter Attacks which resulted in irreparable loss of life. In its aftermath, tourist arrivals collapsed from a net reduction of 7.5% YoY to a historic one month drop of 70.8% YoY down to 37,802 arrivals in May. This was the worst reduction in arrivals in a single month until the onset of the COVID pandemic.

Over the next two months, tourist arrivals reduced by an average of 52%, however as the security situation in the country normalised, arrivals recorded commendable improvements. With the start of the traditional peak season between August and October, tourist arrivals recorded an average YoY reduction of 26%, while in the peak months of November and December, arrivals were only 9.5% and 4.5% lower than their record performances in 2018. By the end of the calendar year, arrivals were 18% YoY lower at 1.91 million.

Given the remarkable difficulties prevailing during this period, such numbers represented a truly remarkable recovery and so 2020 commenced with understandably warranted feelings of optimism for the entire industry. By January 2020, the YoY gap in arrivals had closed to 6.5%, and by the conclusion of the financial year in March, the island was hit with another 70% YoY reduction in tourist arrivals with the onset of the COVID-19 pandemic.

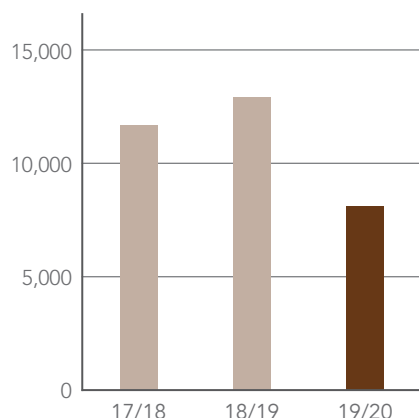
Given the weaker YoY performance in tourism arrivals, the entire industry was faced with severe constraints to revenue generating capacity, leading to intense price competition for the limited tourist spending that was available. It is as yet unclear which parts of the domestic tourism industry will be hardest hit by this unprecedented downturn, but it is inevitable that all subsectors – from informal hospitality providers to star-rated franchises and boutique properties – will have their resilience severely tested.

In the face of such adversity, we note that there have been a few important developments that did have a positive impact from an industry perspective in at least partially negating these unprecedented difficulties. This included Government responses to the Easter attacks, which resulted in the rapid enhancement of security protocols at all established tourism properties across the country. Similarly, immediate action was also taken to provide concessions to the tourism and hospitality sector to speed-up its recovery.

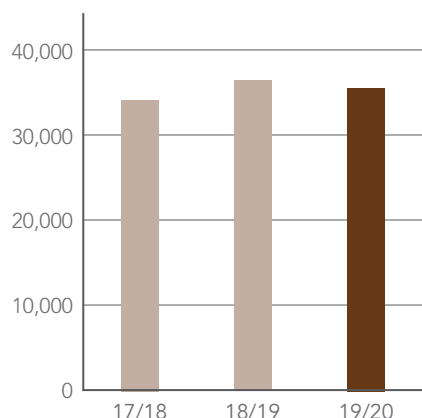
These included a reduction in Value Added Tax chargeable to the sector from 15% to 5% with effect from 1st May 2019 and later amended it to 7% with effect from 01st June 2019. Similarly, a debt moratorium scheme was also arranged in order to reschedule loans by a period of 6-12 months while concessionary access to working capital loans was also enabled. Following Presidential elections in November 2019, support for the ailing tourism sector was further re-evaluated, leading to the removal of the 2% Nation Building Tax from the industry, the imposition of a final income tax rate of 14% and 0% VAT rate for hotels which fulfilled certain conditions.

With the onset of the COVID-19 pandemic, further support has been announced for the tourism and hospitality sector,

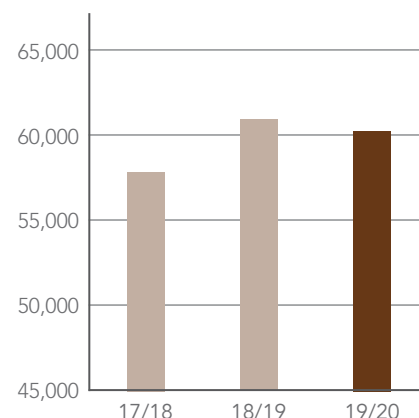
Room Nights Sold (Nos)



Average Room Rate (Rs.)



Revenue Per Occupied Room (Rs.)



Managing Director's Report

“Given the unprecedented challenges faced by the entire industry during the year in review, we are proud to report that TFR continued to display immense resilience in the midst of some of the most difficult operating conditions on record since its inception”

and given the unprecedented disruptions to the industry – both locally and globally – these are vital and welcome measures given that our industry is uniquely dependent on global travel which presently remains at a near total standstill.

Operational Highlights

Given the unprecedented challenges faced by the entire industry during the year in review, we are proud to report that TFR continued to display immense resilience in the midst of some of the most difficult operating conditions on record since its inception.

In the aftermath of the 2019 Easter attacks, TFR received 1,600 room nights cancellations leading to a loss in revenue of approximately Rs. 100 million. Rooms booked up to November 2019 got cancelled straight away as most countries placed travel advisories to Sri Lanka which were only lifted in the latter part of October 2019.

Total guest nights at the hotel reduced from a high of 25,427 in 2018 down to 15,790, while occupancy rates during the year stood at a low average of 41%, as compared with an annual average of 67% in the previous financial year. Notably, occupancy rates began to record substantial improvements towards the end of 2019, climbing to 64% in December, 63% in January 2020, and peaking at 70% in February 2020.

This upward momentum proved that TFR was ahead of the industry as a whole in its recovery just prior to the outbreak of COVID-19. While the month of March initially showed signs of promise, the hotel lost 50% of bookings by the middle of the month, just prior to the closure of the Bandaranaike International Airport (BIA) and ensuing total island-wide lockdown.

In total, the hotel lost a further 323 room nights – equivalent to lost revenue of Rs. 30 million – during the months of January, February and March 2020. Given the challenging market conditions, average room rates during the year dropped from Rs. 36,520 down to Rs. 35,065, parallel to drastic reductions in room rates across the entire industry.

Consistent with the previous year, the majority of guests to the hotel arrived from Great Britain, amounting to a collective 3,222 room nights or 40% and as compared with a previous 50% or 6,539 room nights in 2018/19.

A notable feature of this year was the immense support provided to the resort by local guests which accounted for 19% and a total 1,561 room nights during the year in review. This represented a significant improvement over the previous year, when Sri Lankan guests accounted for 909 room nights.

Our Australian guests contributed 402 room nights, as compared with 1,004 in 2018/19, while German guests accounted for 306, against a previous 452. Indian guests contributed 367 room nights in 2019/20, down from a previous 443, while guests from the United Arab Emirates accounted for 186 room nights, against a previous 282.

Meanwhile, guests from the United States accounted for 187 room nights, down from a previous 297, while guests from China and Switzerland accounted for 144 and 164 room nights respectively in 2019/20, as compared with 289 and 305 room nights respectively in the previous year.

Despite the immense challenges faced by TFR during the year in review, our shareholders will be pleased to learn that we continued to pursue investments into maintaining and enhancing the aesthetics of the resort. During the year in review, these included renovations to several of our Ocean rooms including the replacement of furniture and amenities at a total cost of Rs. 12.5 million.

A further investment of Rs. 11.2 million was channelled towards the replacement of 36 Jacuzzi bath tubs in ocean and beach rooms while additional investments were also made into the installation of new decking for the hotel's main pool at a cost of Rs. 1.6 million. Meanwhile, Rs. 6.1 million was also allocated towards a new kitchen ventilation system, while a further Rs. 3.59 million was invested in hardware and software upgrades to the resort's IT infrastructure.

Cuisine

In addition to its scenic beauty, TFR is also locally and globally renowned for its impeccable culinary reputation. The resort's stylish restaurants offer some of the most exquisite preparations of fresh and authentic Sri Lankan dishes as well as a dazzling array of Western, Chinese, Japanese and Indian cuisine. This reputation for quality and variety makes TFR a preferred choice for diners all along the Koggala region.

During the year in review, this reputation was further enhanced by our culinary team with the introduction of a completely Vegan Menu that quickly became a popular favourite among in-house guests as well as visitors from neighbouring properties.

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. These features continue to assist TFR to maintain its presence as an entertainment and culinary hub in Koggala.

Financial Highlights

Given severe constraints to its operating model and the consistently lower levels of occupancy recorded by TFR during the year in review, the resort's revenue generating capacity recorded a commensurate reduction from Rs. 793.7 million in 2018/19 down to Rs. 490.2 million in 2019/20.

Room revenue was hardest hit with a reduction from Rs. 474 million down to Rs. 282.2 million – reflecting both lower occupancy rates as well as reduced average room rates. Meanwhile, Food and Beverage revenue dropped to Rs. 167.6 million, as compared with a previous Rs. 257.8 million while Spa revenue reduced from Rs. 23.9 million down to Rs. 16.5 million and Sundry revenue reduced from Rs. 32.1 million down to Rs. 23.9 million.

Notably, TFR was able to secure an improvement in its total asset base from Rs. 2.06 billion up to Rs. 2.16 billion. However, given the extreme challenges prevalent during the year, TFR also recorded a sharp increase in its borrowings from Rs. 19 million in 2018/19, up to Rs. 185.7 million during the year in review. Consequently, significant efforts were channelled towards streamlining TFR's expenses while maintaining its workforce. These measures helped to partially mitigate negative impacts in the resort's operating model and revenue generation, as evidenced by an operating cost of Rs. 483.1 million, as compared with Rs. 587.5 million in the previous year.



Nevertheless, these unprecedented disruptions resulted in one of the most significant reductions in profitability for TFR since we began operations as the financial year ended with a Profit Before Tax (PBT) of Rs. 52.3 million, as compared with PBT of Rs. 259.1 million in 2018/19. Earnings per share recorded a commensurate reduction from Rs. 1.89 in 2018/19 down to Rs. 0.25 per share during the year in review.

Sustainability

One of Sri Lanka's greatest strengths as a tourist destination lies in its pristine environmental heritage. Consequently, TFR continues to adopt a holistic view towards environmental sustainability by balancing its operational requirements with a consistent focus on preserving the environment in which we operate. These efforts have continued uninterrupted despite the severe limitations faced by our industry as a whole during the year in review.

Over the past four 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.

Similarly, TFR continues to maintain its organic garden programme in order to supplement its requirement for clean, fresh, organic fruits and vegetables. During the year in review, the resort invested a further Rs. 128,883 towards the development of this programme, which yielded a harvest worth approximately Rs. 450,000.

Managing Director's Report

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 through stringent standards TFR, was able to secure its certification for the third consecutive year, through the maintenance of strict standards in relation to the consumption and use of plastic products and packaging as well as the total elimination of plastic straws and polythene bags which were replaced with paper and straw bags during the year in review. 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 commitment to responsible consumption of resources also extends into the use of electricity. Having previously invested in solar panels for the purpose of water heating, the hotel was able to generate 750,000 litres of hot water for staff use in changing rooms through this project.

Through the collective impact of TFR's resource consumption and optimisation initiatives, the hotel was able to reduce total water consumption from 27.8 million litres down to 26.3 million litres, while diesel consumption reduced from 124,404 litres down to 123,117 litres. Meanwhile electricity consumption dropped from 1.81 million Kwh down to 1.66 million Kwh by the end of the year in review.

Human Capital

TFR's long-term approach to its sustainability is also captured in the continuing investments made by the company towards developing our most valuable resource – our people. As a premier hospitality brand in Sri Lanka, it is essential that our staff serve as ambassadors of our brand, and continue to not only set, but ultimately raise the benchmark for true Sri Lankan hospitality.

Hence, despite the severe challenges created during the year by our operating environment, TFR continued to invest heavily in staff training, albeit at a reduced rate when compared to the previous year. In total, 200 training hours of English classes were conducted during the year, in addition to 150 hours of on-the-job training, and 130 hours of outside training were provided to staff, at a total investment of Rs. 474,710, as compared with a previous Rs. 1.5 million. The results of these efforts from previous years were also seen in the form of 20 in-house promotions conducted during the year as part of a structured performance evaluation and employee grooming programme designed to upskill our best performers, and create rewarding opportunities for career progression within the organisation.

Additionally, TFR continued to maintain its commitment to protect the health and welfare of its employees, which included meals, uniforms, medical insurance, transport and cost of maintaining staff accommodations and comprehensive range of other benefits. During the year in review, TFR invested a cumulative Rs. 4.1 million towards these essential expenses, comparatively even with the Rs. 4.8 million invested in such programmes in the previous year. Similarly, TFR also continued to invest in providing all employees with free meals, at a cost of Rs. 10.4 million, as compared with a previous Rs. 12.2 million.

Outlook

As aptly explained by our Chairman, the year in review has been fraught with some of the worst challenges on record in the entire history of the Sri Lankan tourism industry. Unfortunately, with the onset of the COVID-19 pandemic, these conditions are almost certainly about to worsen and the impact on our industry will be catastrophic. Fortunately, the response of the Government, public health and law enforcement officials to the pandemic has been among the best in the world, and as Sri Lankans we must all be proud and grateful for the tremendous success which we have achieved as a result in combatting the deadly pandemic.

While we have been fortunate therefore to so far escape the worst of the pandemic's health impacts, it will take



“Notably, TFR was able to secure an improvement in its total asset base from Rs. 2.06 billion up to Rs. 2.16 billion. However, given the extreme challenges prevalent during the year, TFR also recorded a sharp increase in its borrowings from Rs. 19 million in 2018, up to Rs. 185.7 million during the year in review”

Careful planning and precise execution in order to mitigate the worse impacts of the economic disruptions that are now looming larger over the entire global and national economy, and our industry as a whole.

At present it is unclear what the total impact of the pandemic will be, although we have already seen some of the most developed nations in the world be worst affected. This includes nations which have traditionally served as key sources of tourist arrivals to Sri Lanka and to our property. Given the combined impacts of health-related travel restrictions globally, and the massive economic disruptions caused in these markets, it is all but certain that even when the pandemic eases and global travel restarts, the economic ramifications could dampen the ability of individuals and groups to travel and engage in tourism.

It is clear that new protocols will have to be established to protect the health of all Sri Lankans, while innovating new ways of enabling those who are willing, able, and healthy to travel to Sri Lanka. However, the delay in the development of a COVID-19 vaccine – which remains on an elusive timeline – it remains unclear just what those measures will be. It is therefore essential that the industry maintain clear and open lines of communication with the Government, and strictly abide by all directives.

Similarly, the industry will require unprecedented support to preserve jobs and ensure that employers across the sector are able to stay solvent until the situation improves. In the interim, we must aggressively pursue every possible opportunity to generate revenue. Doubtless local tourism will play an essential role in this critical moment, and there are some encouraging signs that properties like TFR are

able to attract local visitors, as evidenced by the fact that local guests accounted for the second largest volume of room nights at the hotel during the year in review.

Meanwhile, as travel restrictions ease and other nations are able to successfully curb the spread of COVID-19, further efforts will have to be channelled by the industry working in close partnership with the Government in order to attract tourists from recovered nations, with special emphasis being placed on non-traditional markets. It is therefore clear that in the coming year, our industry will be challenged in ways that it has never experienced before. The tremendous success which Sri Lanka has achieved in combatting COVID-19 will undoubtedly serve as a unique advantage for our tourism sector moving forward.

Hence we have utmost confidence that TFR will be able to successfully weather these challenges. Over the medium-long term, solutions will be implemented to the difficulties we face presently, and ultimately, the underlying value of Sri Lanka as a tourist destination, and TFR as one of its premier hospitality destinations will only continue to grow.

Acknowledgements

In concluding this historically challenging year, I wish to express my heartfelt gratitude and appreciation to our Chairman, Board of Directors and our staff for their fortitude and unwavering support throughout this prolonged period of crisis. The continuing resilience of TFR is a direct product of their own grit, determination and commitment to this organisation, and we are fortunate to be able to rely on them in the difficult months ahead.

We pledge our complete support to each one of them as we navigate an uncertain future. Our organisation, 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. We are grateful for their patronage and we sincerely cannot wait to welcome them back to our beautiful nation as soon as it is safely possible.



K.D.H. Perera
Managing Director

09 June 2020

Board of Directors



Mr. Dhammika Perera
Chairman

Mr. Dhammika 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 thirty years of experience in building formidable business through unmatched strategic foresight.

Mr. Perera is the Chairman of Vallibel One PLC, Lanka Tiles PLC, Lanka Walltiles PLC, Royal Ceramics Lanka 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 Sumith 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

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

Mr. Malik Fernando 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.

Mr. Malik Fernando is also the Managing Director of Resplendent Ceylon, which is developing a circuit of small luxury resorts around Sri Lanka.

Mr. Malik Fernando has a BSc in Business Management from Babson College in the US.



Mr. Merrill J Fernando
Director

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

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

Having established the brand on the unique philosophy of making business a matter of human service, the 'MJF Charitable Foundation' and Dilmah Conservation fulfill this pledge by diverting a minimum of 15% of pre-tax profits from the sale of Dilmah Tea towards direct humanitarian and environmental interventions.



Mr. L T Samarawickrama
Director

An internationally qualified hotelier having gained most of his Management experience in the UK, and 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 & Spa's refurbishment and rehabilitation programmes. He is also a Director of Amaya Leisure PLC, Hotel Services (Ceylon) PLC, Royal Ceramics Lanka PLC and Kelani Valley Plantations PLC.



Mr. L N De S Wijeyeratne
Director

Mr. Wijeyeratne is a Fellow of the Institute of Chartered Accountants in Sri Lanka and counts over 35 years of experience in Finance and General Management both in Sri Lanka and overseas.

He is currently an Independent Non -Executive Director of several Listed Companies. He was the Group Finance Director of Richard Pieris PLC from January 1997 to June 2008 and also held Senior Management positions at Aitken Spence & Company, Brooke Bonds Ceylon Ltd, and Zambia Consolidated Copper Mines Ltd.

He also served as a Director of DFCC Bank PLC and LB Finance PLC. Mr. Wijeyeratne was a Member of the Corporate Governance and Quality Assurance Board of the Institute of Chartered Accountants of Sri Lanka as well as the Accounting Standards and Monitoring Board of Sri Lanka.



Mr. Jan Peter Van Twest
Director

Mr. Jan Van Twest counts over 40 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 and Summer Seasons Limited.

Board of Directors



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 V. Cabraal is a Graduate (with Honours) in Mechanical Engineering (BSc.) with a focus in manufacturing and design from the Missouri University of Science and Technology. He is currently working for CHEC Port City Colombo (Pvt) Ltd. as Assistant Manager – Estate Management in the Strategy and Business Development Department. He also serves as a Director on the Export Development Board of Sri Lanka. He previously worked at Brandix Lanka (Pvt) Ltd as a Sustainability Engineer (2011-2014) in the Energy and Environment Department. He started his career in 2010 as a Management Trainee at John Keells Hotel Management Services. He is the co-owner and co- founder of Royal Orchids (Pvt) Ltd. which owns and operates a floriculture farm. He also serves on the board of Kelani Valley Plantations PLC and Vallibel Power Erathna PLC.



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

Mr. Hareesh 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 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 currently serves as Group Director - International Business Development and CSR at Vallibel One PLC.

Prior to joining Vallibel One, Ms Amarasinghe was attached to the World Conference on Youth Secretariat at the Ministry of Youth Affairs and Skills Development in Sri Lanka, as a Manager. Earlier in her career, she served as an intern at the Strategic Policy Division of the Department of Community Safety in Queensland, Australia.

Ms. Amarasinghe earned a bachelor's degree in International Studies from University of Queensland in Brisbane, Australia and a specialization in French Studies at University of Lausanne in Switzerland.

She received her certificate in Management Acceleration Programme from INSEAD Business school in Fontainebleau, France. In addition, she holds a certificate in Hotel Revenue Management from Cornell University in USA.



Mr. C U Weerawardena
Director

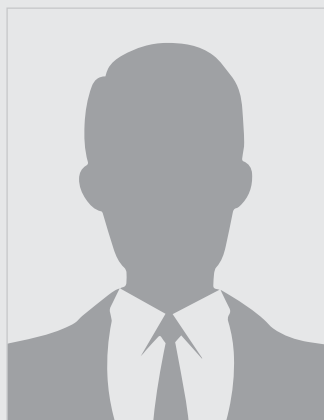
Mr. Chethiya Umagiliya Weerawardena is an entrepreneur with 15 years' experience in the Gem Industry and has business interests in Real Estate. He holds a Diploma in Business Management from the University of Macquarie Sydney, Australia.



Mr. Eshana De Silva
Director

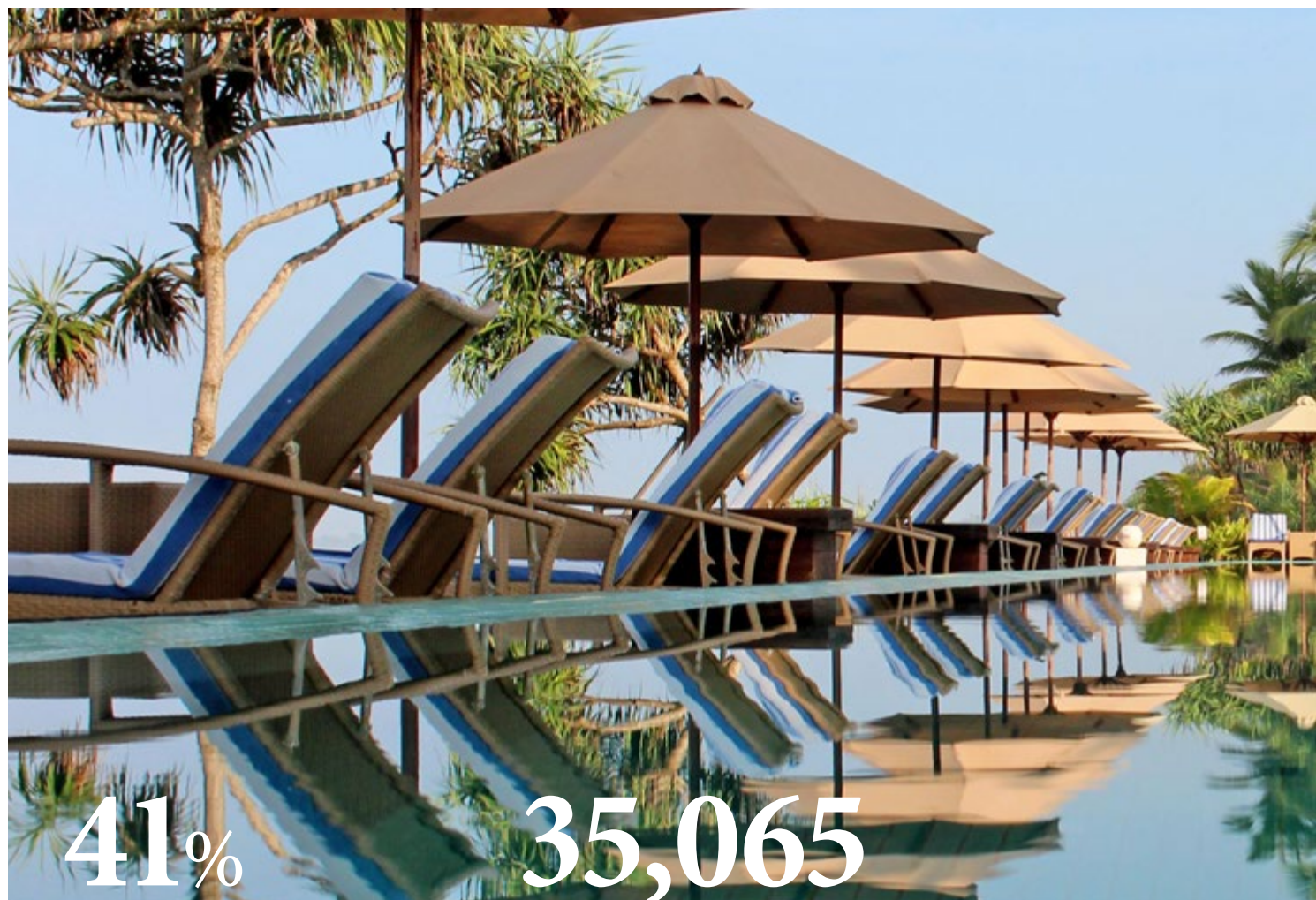
Eshana de Silva is the Chairman of National Development Bank PLC. He was Chairman, Deputy Chairman and Director of Pan Asia Banking Corporation PLC and served as a Board Member of the Board of Investment (BOI) and Chairman of the Board of Investment Audit Committee, a Board Member of Sri Lanka Ports Authority (SLPA), and Chairman of Sri Lanka Agri Business Corporation. He is the Honorary Consul of Republic of Kazakhstan in Sri Lanka since 2011.

Educated at Royal College of Colombo, he is the Founder Chairman of Esna Group of Companies as well as Chairman of Hanjin Shipping Lanka (Pvt) Ltd, Shermans Logistics (Pvt) Ltd, Esna Holidays (Pvt) Ltd, Esna Holdings (Pvt) Ltd., and Star Leisure (Pvt) Ltd, Deputy Chairman / Managing Director of Esna (Pvt) Ltd, Co-Chairman of Esna Allied Enterprises (Pvt) Ltd, Director of Interocean Energy (Pvt) Ltd, Integrated Holdings (Pvt) Ltd, Integrated Shipping Agencies (Pvt) Ltd, Interocean Development (Pvt) Ltd, Colombo Bunkering Services (Pvt) Ltd, Ocean Lanka Bunkering Services (Pvt) Ltd, Sherman Sons (Pvt) Ltd, Shermans TS Rubber (Pvt) Ltd., Sherman De Silva & Co Ltd, and Fortress Resorts PLC.



Mr R.N. Malinga
(Alternate Director to Mr. Malik J Fernando)

Mr. R.N. Malinga 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 20 years of experience, including 16 years within MJF Group of Companies. He is currently the Sector Financial Controller of MJF Group, overlooking tea and leisure sectors. Mr. R.N. Malinga is a fellow member of the Institute of Chartered Accountants of Sri Lanka, Institute of Certified Management Accountants of Sri Lanka. He also has a MBA from the University of Colombo and BSc in Business Administration from the University of Sri Jayawardenapura.



Average Occupancy

Average Room Rate (Rs.)

“In the wake of the 21st April terrorist attacks and subsequent COVID-19 pandemic, total tourist arrivals to Sri Lanka declined by 18% YoY down to 1.91 million arrivals in 2019, as compared with the vibrant growth of 10% YoY in 2018”



282

Room Revenue (Rs. Mn)

167

F&B Revenue (Rs. Mn)

16

Spa Revenue (Rs. Mn)

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 2020, 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.

Global Economy

Rising trade barriers and geo-political tensions combined with weaker consumer and business sentiment and a sharp downturn in manufacturing served to magnify cyclical and structural slowdowns already underway across the globe, resulting in another year of slow growth in the international economy.

The emergence of the COVID-19 pandemic in the final weeks of the financial year in review resulted in further and unprecedented disruption to global industries and supply chains. These sudden shocks were most immediately felt in the global tourism and hospitality sector as all international

Management Discussion and Analysis

travel came to a halt with nations the world over closing their borders in response to the pandemic. The severity of these impacts was sufficient to cause a notable reduction in global GDP even in the final weeks of the financial year. However the primary impact of the pandemic will largely take place over the course of the next financial year.

During the year in review, global GDP dropped to 2.9% - marking the weakest pace of economic growth since the global financial crisis of 2008. These pressures were further magnified by weakness in previously dynamic emerging markets like Brazil, India, Mexico and Russia.

Among the most defining developments of the year in that context was the on-going trade tensions which resulted in a sharp decline in bilateral trade and spill-over effects with trade partners who were not involved in the disputes. These disputes caused a 25% export loss, inflicting a US\$35 billion blow to Chinese exports in the US market for tariffed goods in the first half of 2019 alone.

As the US enters an election year filled with unprecedented volatility, GDP growth fell from 2.9% in 2018 down to 2.3% in 2019. Meanwhile, Europe was hampered by uncertainties in the Brexit process and weak business investment as GDP growth dropped down from 2.1% in 2018 down to 1.2% in 2019. Among the most developed economies in the EU, France recorded the strongest growth in GDP for 2019 at 1.3% followed by Germany and Italy at 0.6% and 0.2% respectively while the United Kingdom economy stagnated hitting near 0% GDP growth from a previous 1%.

Meanwhile emerging market economies continued to experience an economic downturn, with GDP growth estimated to have fallen to a four-year low of 4% in 2019

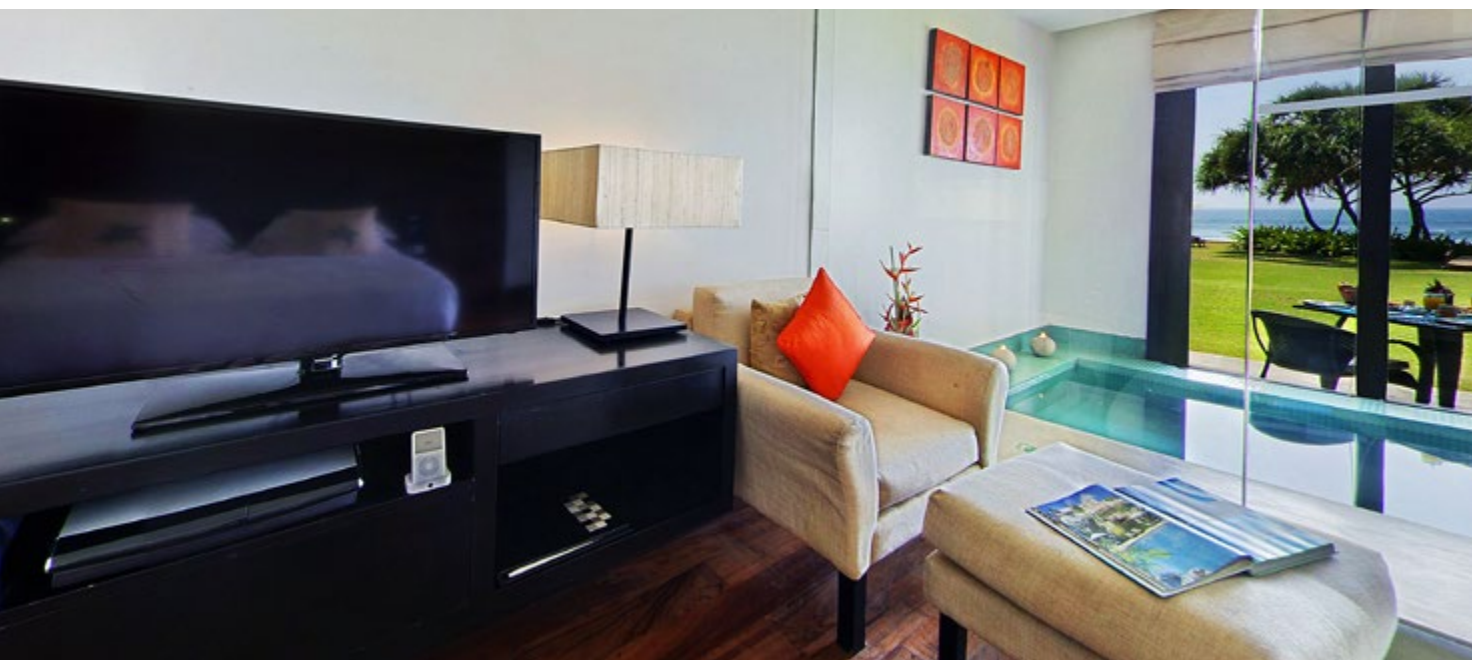
but showing signs of recovery prior to the outbreak of COVID-19. These stresses were primarily driven by the previously highlighted trade disputes between the world's two largest economies – the U.S. and China – which in turn caused economic disruptions among regional trade partners.

Throughout 2019, increases in U.S. petroleum production put downward pressure on crude oil prices which averaged US\$64 per barrel in 2019, as compared with US\$71 in 2018. In the final quarter of the financial year, these prices were further deflated by an oil price war as both Russia and Saudi Arabia drastically increased production resulting in a collapse in oil prices down to US\$32 in March 2020, and US\$ 18 in April 2020.

Global Tourism Industry

For the 10th consecutive year, global tourism arrivals grew to a new high of 1.5 billion in 2019, as compared with 1.4 billion arrivals in 2018, reflecting a growth rate of 4% Year-on-Year (YoY). This continuous uptick in arrivals was recorded across all regions but amounted to a lower overall growth rate. This slowdown affected mainly advanced economies and particularly Europe, Asia and the Pacific.

During the year, the Middle East region recorded the fastest growth rate for international tourism arrivals in 2019, reaching almost double the global average at 8% YoY, but still slower than the region's outstanding performance in 2018 when tourism arrivals increased at a pace of 10%. Similarly, arrivals growth in the Asia Pacific region also showed moderation despite achieving an above average growth rate of 5% YoY.



In terms of absolute numbers, the European region continued to lead, welcoming 743 million international tourists last year and accounting for more than half of all international arrivals in 2019, despite growth slowing to 4% YoY.

Arrivals in North and South America showed mixed results, reaching an aggregate 2% YoY growth rate as many island destinations in the Caribbean consolidated their recovery after the 2017 hurricanes while arrivals fell in South America due partly to ongoing social and political turmoil. Meanwhile, arrivals data from Africa suggested an improvement of 4% YoY.

Despite the global economic slowdown, tourism spending continued to grow in 2019, most notably among the world's top ten spenders. France reported the strongest increase in international tourism expenditure at 11% YoY, while at 6% YoY increased tourism spending, the United States led growth in absolute terms, aided by a strong dollar.

However, some large emerging markets such as Brazil and Saudi Arabia reported declines in tourism spending. China, the world's top source market saw outbound trips increase by 14% YoY in the first half of 2019, though expenditure fell 4% YoY.

Sri Lankan Economy

Sri Lanka's economic performance slumped to a 10 year low as GDP growth fell from 3.2% YoY in 2018 to 2.7% YoY in 2019, in the wake of continuing economic stagnation which was worsened by the tragic and devastating attacks of 21st April terrorist attacks.

Services sector growth dropped from a robust 4.7% YoY in 2018 down to 2.6% YoY by the end of the year in review, with the tourism sector in particular being severely negatively impacted as a result of the dual impacts of the April attacks at the start of the financial year, and the COVID-19 pandemic at the end of the financial year.

Adverse weather, and the further disruption to supply chains connected to the tourism sector curbed the pace of growth in the agriculture sector to 3.4% YoY, as compared with a prior 4.8% YoY. Meanwhile, the industrial sector recorded a significant rebound in growth up to 2.6% YoY, as compared with in growth of just 0.9% in 2018, driven by improved performances in the textile and apparel sector – which recorded a 278.8% YoY expansion in export value over the year in review, and supported by increasing investments in public and private sector construction projects.



Inflation was contained at mid-single digit levels, however food inflation recorded a sudden spike up to 8.6% in December and hit 13.7% in January 2020 – the highest levels for food inflation since 2017.

Meanwhile, a sharp 10.3% YoY contraction in import expenditure supported marginal improvements in the country's trade deficit from USD 10.3 billion down to USD 8 billion together with minor improvements in export performance.

External sector performance was hindered by the sharp 18% YoY contraction in tourism earnings down to USD 3.59 billion and a further 4.3% YoY contraction in worker remittances down to USD 6.72 billion.

Notably, the Sri Lankan rupee appreciated by 0.6% YoY up to a level of Rs. 181.8 against the dollar, marking the first such instance in successive years. The year in review also recorded the disbursement of the International Monetary Fund (IMF) Extended Fund Facility, leading to an improvement in gross official reserves up to US\$ 7.6 billion, equivalent to approximately 4.6 months of import cover. Meanwhile, Sri Lanka's Debt:GDP ratio continued to edge upwards to a near decade long high of 66.6% in 2019.

The year in review was also notable in that it marked the first departure from the Central Bank of Sri Lanka's (CBSL) monetary tightening policy over the past two years in an effort to stimulate growth.

Management Discussion and Analysis

The SDFR and the SLFR of the CBSL were consequently reduced by 50 basis points each to 7.5% and 8.5%, respectively, in May 2019, thus ending the neutral monetary policy stance maintained since April 2018. In August 2019, the CBSL once again reduced the SDFR and the SLFR further by 50 basis points to 7% and 8% respectively and again in January 2020 by 50 basis points to 6.5% and 7.5%, respectively. Considering the urgent need to support economic activity and the financial sector with the rapid spread of the COVID-19 pandemic and its possible further spread in Sri Lanka, at an emergency meeting to review the monetary policy stance on 16 March 2020, the Central Bank thereafter reduced the SDFR and the SLFR of the Central Bank by 25 basis points to 6.25% and 7.25%, respectively, with effect from 17 March 2020.

Following the conclusion of Presidential elections in 2019, the Sri Lankan economy had initially shown promising signs of recovery as tourism began to parallel a re-stabilisation of the island's security situation, however, the COVID pandemic reversed all gains made subsequent to April 2019. Hence while the Sri Lankan economy had initially been projected to grow at a rate of 3.3% YoY, these projections were revised down to 1.5% YoY by the CBSL while many anticipate a local and global economic recession in 2020, particularly in the instance that a second wave of COVID-19 infections is to take place.

Sri Lankan Tourism Industry

In the wake of the 21st April terrorist attacks and subsequent COVID-19 pandemic, total tourist arrivals to Sri Lanka declined by 18% YoY down to 1.91 million arrivals in 2019, as compared with a vibrant growth of 10% YoY in 2018.

The most notable decline in arrivals was observed following the issuance of travel advisories by main countries of tourist origins following the Easter Sunday attacks. However, remedial measures taken on the policy front, improvement in security conditions, financial support for businesses in the tourism sector, tourism promotion and softening of travel advisories by mid-2019 helped revive tourist arrivals at a faster than anticipated pace by the end of the year. Accordingly, tourist arrivals gradually recovered, recording only a 4.5% YoY decline in December 2019 from the decline of 70.8% in May.

Europe continued to be the largest tourist origin for Sri Lanka with 887,572 arrivals, accounting for 46.4% of total tourist arrivals. However, tourist arrivals from the region recorded an overall 12.8% YoY decrease in 2019.

The Asia Pacific region recorded the second highest arrivals in 2019 with 839,470 tourists, accounting for 43.9% of total tourist arrivals, despite the overall decline of 23.1% YoY. In terms of tourist arrivals by countries, India remained the leading country of origin with 355,002 arrivals, followed by the UK, China, Germany and Australia.

Average spending per tourist in 2019 rose to US dollars 181.2 per day from US dollars 173.8 per day in 2018 likely resulting from an increase in spending on accommodation despite some adverse impacts on pricing after the Easter Sunday attacks.

Meanwhile, average duration of stay by a tourist was estimated at 10.4 days in 2019, in comparison to 10.8 days in 2018. Consequently, despite an increase in average



“A notable feature of this year was the immense support provided to the resort by local guests which accounted for 19% and a total 1,561 room nights during the year in review. This represented a significant improvement over the previous year, when Sri Lankan guests accounted for 909 room nights”

spending by tourists, due to the significant decline in tourist arrivals and a marginal decline in the average duration of stay period, earnings from tourism declined by 17.7% YoY to US dollars 3.61 billion in 2019.

Operational Highlights

Even in the face of historic disruptions, Sri Lanka's value proposition as one of the most unique and diverse tourist destinations in Asia has remained firmly established, as evidenced by the country's rapid recovery from the Easter Attacks of 2019. Similarly, the island's Southern coast belt as well as its overall connectivity to other hotspots in the Central hills and Eastern coastal belt has received increasing international fame.

The region itself has grown immensely in popularity, owing to its close proximity to other key destinations and attractions including the historic Galle Fort, turtle hatcheries and numerous other entertainment and holiday activities. In recent years this had led to a rapid increase in the number of hospitality providers in the area. While no major developments were established in the Koggala region itself, major projects were constructed in the surrounding regions which will likely drive up competition for guests in the coming years.

In that backdrop, The Fortress Resort holds special significance to global and local travellers alike owing to its 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 tranquillity of the Koggala coast – which itself has emerged as one of the most picturesque destinations on Sri Lanka's Southern Coast.

During the year in review, total guest nights at the hotel reduced from a high of 25,427 in 2018 down to 15,790, while occupancy rates during the year stood at a low average of 41%, as compared with an annual average of

67% in the previous financial year. Notably, occupancy rates began to record substantial improvements towards the end of 2019, climbing to 64% in December, 63% in January 2020, and peaking at 70% in February 2020.

In the aftermath of the 2019 Easter attacks, TFR received 1,600 room night cancellations leading to a loss in revenue of approximately Rs. 100 million. Rooms booked up to November 2019 got cancelled straight away as most countries placed travel advisories to Sri Lanka which were only lifted in the latter part of October 2019.

While the month of March 2020 initially showed signs of promise, the hotel lost 50% of bookings by the middle of the month, just prior to the closure of the Bandaranaike International Airport (BIA) and ensuing total island-wide lockdown.

In total, the hotel lost a further 323 room nights – equivalent to lost revenue of Rs. 30 million – during the months of January, February and March 2020. Given the challenging market conditions, average room rates during the year dropped from Rs. 36,520 down to Rs. 35,065, parallel to drastic reductions in room rates across the entire industry.

Consistent with the previous year, the majority of guests to the hotel arrived from Great Britain, amounting to a collective 3,222 room nights or 40% and as compared with a previous 50% or 6,539 room nights in 2018.

A notable feature of this year was the immense support provided to the resort by local guests which accounted for 19% and a total 1,561 room nights during the year in review. This represented a significant improvement over the previous year, when Sri Lankan guests accounted for 909 room nights.

Management Discussion and Analysis

Our Australian guests contributed 402 room nights, as compared with 1,004 in 2018, while German guests accounted for 306, against a previous 452. Indian guests contributed 367 room nights in 2019, down from a previous 443, while guests from the United Arab Emirates accounted for 186 room nights, against a previous 282.

Meanwhile, guests from the United States accounted for 187 room nights, down from a previous 297, while guests from China and Switzerland accounted for 144 and 164 room nights respectively in 2019, as compared with 289 and 305 room nights respectively in the previous year.

TFR continues to provide 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 while the T-Lounge is open to quench our guests' 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 a delicious meal from the comfort of their room.

During the year in review, this reputation was further enhanced by our culinary team with the introduction of a completely Vegan Menu that quickly became a popular favourite among in-house guests as well as visitors from neighbouring properties.

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. These features continue to assist TFR to maintain its presence as an entertainment and culinary hub in Koggala.

Financial Highlights

Parallel to the unprecedented disruptions to national tourism encountered during the year, TFR recorded a substantial reduction in turnover from Rs. 793.7 million in 2018/19 down to Rs. 490.2 million in 2019/20. Room revenue reduced from Rs. 474 million down to Rs. 282.2 million – reflecting both lower occupancy rates as well as reduced average room rates.

Meanwhile, Food and Beverage revenue dropped to Rs. 167.6 million, as compared with a previous Rs. 257.8 million while Spa revenue reduced from Rs. 23.9 million down to Rs. 16.5 million and Sundry revenue reduced from Rs. 32.1 million down to Rs. 23.9 million.

In tandem with reduced turnover, TFR's cost of sales also reduced from Rs. 217.2 million down to Rs. 155.4 million leading to a gross profit of Rs. 334 million, as compared with Rs. 570.6 million previously.

In an effort to streamline costs, TFR's marketing and advertising expenses were optimised during the year in review, as reflected in a lower spend of Rs. 27.4 million,





against a previous Rs. 33.8 million while administrative expenses dropped from Rs. 336.4 million down to Rs. 302.8 million. Notably, the company's finance expenses rose sharply from Rs. 2.29 million up to Rs. 10.6 million while finance income recorded improvements from a previous Rs. 55.1 million up to Rs. 58.4 million during the year in review.

Meanwhile, the Group's total asset base recorded growth from Rs. 2.06 billion up to Rs. 2.16 billion. However, given the extreme challenges prevalent during the year, TFR also recorded a sharp increase in borrowings from Rs. 19 million in 2018/19, up to Rs. 185.7 million in 2019/20.

Profit Before Tax for the period in review stood at Rs. 52.3 million, against a prior Rs. 259.1 million while Profit After Tax declined to Rs. 27.4 million, as compared with Rs. 209.5 million in 2018/19. Earnings per share recorded a commensurate reduction from Rs. 1.89 in 2018/19 down to Rs. 0.25 per share during the year in review.



Customer Survey Insight

Reduction in Water Consumption
(CBM)

“Through the collective impact of TFR’s resource consumption and optimisation initiatives, the hotel was able to reduce total water consumption from 27.8 million litres down to 26.3 million litres, while diesel consumption reduced from 124,404 litres down to 123,117 litres. Meanwhile electricity consumption dropped from 1.81 million Kwh down to 1.66 million Kwh by the end of the year in review”



Reduction in Electricity Consumption (Kwh)

Scope of Reporting

This is the 7th 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 2020. The Company profile data reflects figures at the end of the financial year of 31 March 2020. 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 2020.

Reduction in Diesel Consumption (L)

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 core values are firmly embedded in principles of transparency, accountability and sustainability while its operations are aligned towards sustainability across the entire spectrum of its operations.

Hence, all sustainability initiatives are carefully monitored in order to document our continuous progress and provide clear metrics that form the basis of future optimisation.

Despite a challenging operating environment, TFR maintained its investments in longstanding initiatives aimed at promoting the economic, social and environmental

Sustainability Review

sustainability of its operations in a manner that responsibly balances the needs of all stakeholders.

While adopting such a holistic view towards the definition and execution of its sustainability commitments, TFR also seeks out new ways to further enhance its triple-bottom line performance through the pursuit of sustainability enhancing strategies that operate in a complementary manner to the resort's positioning among the premiere luxury resort destinations in Sri Lanka.

As a long-standing industry leader, TFR is deeply committed to proactively pursuing sustainable initiatives centred on tangible objectives including the promotion of social equity through engagement with local communities with a particular emphasis on poverty alleviation and generation of opportunities to enhance livelihood. These are combined with measures to promote economic efficiency through concerted innovation and optimisation across the spectrum of TFR's operations. Underlying all of these initiatives is a stringent and sincere commitment towards the promotion of environmentally sustainable tourism driven by the identification and mitigation of negative environmental impacts and a special focus on reduction of the resort's carbon, water and energy footprint.

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

quoted 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 29, West 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 2020 comprise of the Company and its fully owned subsidiaries "La Forteresse (Private) Limited" and Summer Season Mirissa (Private) Limited (together referred to as "the Group").

Economic Sustainability

TFR's overall sustainability strategy is informed by the fundamental understanding that its business model must be capable of supporting social and environmental initiatives over the short-medium term while also taking cognizance of the fact that medium-long term economic sustainability in turn is significantly conditional upon its ability to promote holistic sustainability. This is a strategy which contributes directly towards cost optimisation, while enhancing the hotel's natural and social capital, thereby generating a positive feedback loop.

In developing an organisational strategy that is geared towards such a triple-bottom line approach to 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 it maintains and enhances financial viability. As a leader in the domestic hospitality industry, this continuity is primarily accomplished through ensuring of a consistent and peerless service delivery.

In that context, a notable consideration during the year in review was the sharp disruptions caused to the hotel's operating model and resultant impacts on financial performance stemming from the Easter Attacks of April 2019 and the emergence of the COVID-19 pandemic.

In response to the downturn in tourist arrivals post-April 2019, TFR embarked on an aggressive but targeted marketing and promotion campaign aimed at further raising the profile of the resort in key international markets. These investments yielded positive results, contributing materially towards the commendable financial performance of TFR during the year in review.

Conversely, the impacts of the COVID-19 pandemic are, as at the time of this report, still on-going and global in scale. As a result, a concerted recovery strategy is still being developed and will be deployed in a rapid and responsive manner as events unfold over the coming months. In the





interim, a significant emphasis is being placed on attracting as much domestic tourism to the property as possible.

Concurrently, the hotel's economic sustainability was also benefited by multiple Government-led interventions aimed at easing the tax and debt burden imposed on the hospitality sector. These included a reduction in VAT for the sector from 15% up to 5% initially with effect from 01st May 2019 and later amended it to 7% with effect from 01st June 2019. Additionally, TFR was also supported by the Debt Moratorium scheme extended to the hotel and tourism sector to postpone all the business and employee loans by 6 to 12 months period and the introduction of working capital loan schemes at concessionary interest rates, as well as a Moratorium scheme for the payment of Tourism Development Levy.

Following the positive conclusion of the November 2019 elections further concessions were granted to the hospitality sector including the removal of 2% NBT from the Hotels and Tourism sector, all VAT for hotels that fulfilled certain stipulated conditions and Final income tax rate of 14% for the Hotels and tourism sector.

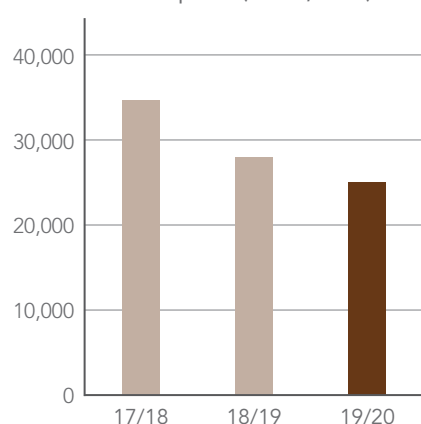
Prior to the emergence of the COVID-19 pandemic,

TFR also maintained its scheduled investments towards the renovation of its Ocean Rooms which during the year in review totaled Rs. 12.5 million. This included the replacement of wardrobes, bedheads, TV cabinets, bed side tables, sofa beds and mini-fridges through investments of Rs. 2.4 million, Rs. 1.2 million, Rs. 2.6 million, Rs. 0.51 million, Rs. 2.1 million and Rs. 0.86 million respectively. Additional investments of Rs. 0.81 million, Rs. 1.37 million and Rs. 0.61 million were allocated towards the addition of new coffee tables, framed mirrors, and chairs.

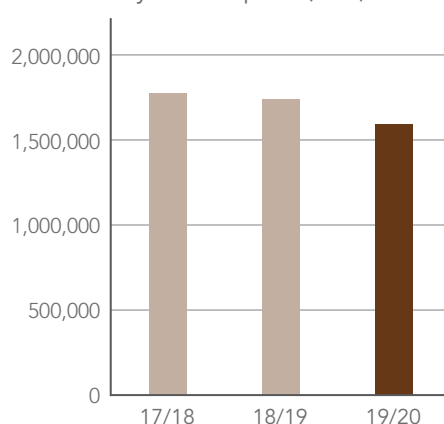
TFR also successfully completed the replacement of 36 Jacuzzi bath tubs in both Ocean and Beach rooms at a cost of Rs. 11.1 million, while 42 door locks were also upgraded in Ocean, Beach, Loft and Residence rooms at a cost of Rs. 2.9 million. A further Rs. 1.6 million was invested in the installation of new decking for the main pool front, while an additional Rs. 6.1 million was allocated towards the installation of a state-of-the-art new kitchen ventilation system.

While the management remains committed to maintaining the resort's pristine reputation for the highest levels of luxury through such proactive investment strategies,

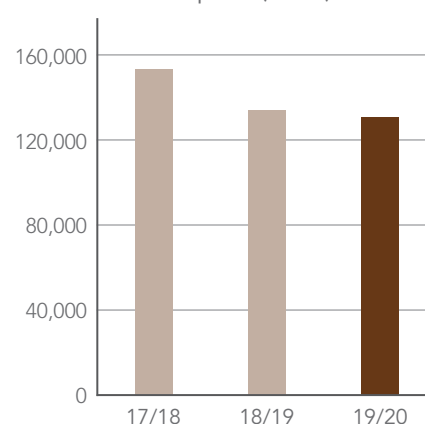
Water Consumption (Liters, 000')



Electricity Consumption (Kwh)



Diesel Consumption (Liters)



Sustainability Review

further investments in renovations in the next financial year will be balanced against the on-going disruptions to local and international tourism and its potential impacts on the business moving forward.

Awards and Certifications

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 phase of operations, a sound business plan and strict monitoring of 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.

Notable awards and accolades presented to TFR during the year in review included:

Award Name	Received for	Award valid for	International / Local
Sri Lanka Tourism Development Authority	Bronze Winner for National Sustainable Tourism Certification – 2019	2019	Local
Bocuse d'Or Sri Lanka 2019	Gold Medal Winner	2019	Local
Conde Nast Johansens	Excellence Award for Best Luxury Value 2020	2020	International
Ceylon Tea Masters Cup	Winner – Tea Mixology Deep South Region	2019	Local - Regional

TFR's reputation for excellence was also further consolidated by its securing of Continuation of Good Manufacturing Practices awarded by the Sri Lanka Standard Institution. Similarly, TFR is also in pursuit of the prestigious ISO 22000 certification for Food Safety Management in the coming financial year.

Marketing and Promotion

Given the drastic disruptions to Sri Lankan tourism and hospitality post April 2019, TFR embarked upon an ambitious marketing and promotional campaign during the year in review. This campaign successfully optimised TFR's marketing budget through high-impact campaigns including:

- Kuoni UK | Digital Marketing
- Destinology UK | Digital Marketing
- Emirates Holidays - Summer 2019 Campaign
- Conde Nast Johansens UK
- FAB Getaway – Indian Market
- Dragon Trail "E Commerce arm in China" – Chinese Market
- Yandex – Russian Market
- Trailfinders Indian Ocean 1/3 Page Spring/ Summer Magazine
- Amex China 50% Off | WeChat Article
- Hello World – Australian Market
- Kuoni & Rest UK Market | TOY Campaign'
- Yandex Campaign - Russian Market.

These visibility and brand building programmes were further complemented with tactical offers and sales aimed at attracting local and international tour operators back to the property commencing from June-December 2019. Additionally, TFR also participated in multiple trade shows during the year including:

Trade fair
ITB Berlin – Germany
ILTM – Asia Pacific
SLH Road Show - India
SLH Amex Showcase China
WTM – London
ILTM Cannes - France

Additionally, TFR also directed its marketing budget towards advertising in globally renowned travel media including Conde Nast Johanssens's April Direct Mailer Booklet, Editors Pick, Newsletter Feature and October Direct Mailer Booklet. Similar investments were also made into advertising on Asian Paradises Magazine Australia and Four Magazine Luxury Gourmet Magazine for the Middle-East region.

“These visibility and brand building programmes were further complemented with tactical offers and sales aimed at attracting local and international tour operators back to the property commencing from June-December 2019”

An equal emphasis was also directed towards online and digital marketing campaigns. These included Direct Web Sales aimed at recovering online visibility and occupancy from the Easter Sunday attack and aftermath. This was accomplished using PPC (Pay Per Click Advert Campaigns) simultaneously with online travel agents to attract direct bookings through the official website in partnership with a leading to e-commerce service provider.

Similarly, TFR also engaged across multiple B2C platforms including Time Design - a bundle solution for travellers to book both accommodation and flights, supporting TFR to capture more reservations and increase direct revenue from emerging markets such as United States, Brazil, Saudi Arabia, Canada, Australia, Mexico, South Korea and United Arab Emirates. The platform was ideal to sell dynamic packages by enabling travellers to book a holiday package, inclusive of flight, transfer, accommodation and other travel services.

TFR will be testing this platform in the thefortress.lk website connecting with tailor-made packages before applying this to all bookings generated from its branded website.

On the social media front, TFR also sought to enhance brand awareness in China, working in collaboration with Dragon Tail for promotions on WeChat in addition to continuous campaigns optimised for Facebook, Instagram, WhatsApp Business and Twitter.

Corporate and loyalty programmes represented another important component of TFR's marketing strategy. During the year in review, our Viceroy Club Membership Rewards Programme was actively leveraged to attract loyal guests back to the hotel through the provision of exclusive access



and deals to those who hold the card and also to their spouses. With the membership, the card holder saves 15% at the 3 main outlets, accommodation and all extra purchases. The membership is extended to most brand loyal repeaters who have generated LKR 500,000 yearly revenue for the hotel and also to the Ambassadors, High Commissioners and top Corporate Profiles.

The year in review also witnessed the introduction of e-Gift Voucher services for customers who intend to share the Fortress experience with their loved ones, friends or business associates with our personalised e-Gift card for any occasion. These new e-gift cards are redeemable for stays, dine, rejuvenating spa treatments, Fortress Lifestyle or to redeem their total extra purchases at departure. The main objective of introducing e-Gift voucher services is for customer convenience and giving an opportunity for international customers to send gift cards to their loved ones, friends or business associates. This service will be available at:

- www.thefortress.lk

As well as leading e-commerce platforms such as:

- Kapruka
- Lassana Flora

The highly commendable success of these initiatives were reflected in the strong recovery posted by the resort in guest nights, occupancy rates as well as F&B and Spa offerings particularly during the months prior to the emergence of the COVID-19 pandemic.

Sustainability Review

Training and Skills Development

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

Accordingly, during the year in review, 200 training hours of English classes were conducted in addition to 150 hours of on-the-job training, and 130 hours of outside training at a total investment of Rs. 474,710, as compared with a previous Rs. 1.5 million. The results of these efforts from previous years was also seen in the form of 20 in-house promotions conducted during the year as part of a structured performance evaluation and employee grooming programme designed to upskill our best performers, and create rewarding opportunities for career progression within the organisation.

Additionally, TFR continued to maintain its commitment to protect the health and welfare of its employees, which included meals, uniforms, medical insurance, transport and cost of maintaining staff accommodations and comprehensive range of other benefits. During the year in review, TFR invested a cumulative Rs. 4.1 million towards these essential expenses, comparatively even with the Rs. 4.8 million invested in such programmes in the previous

year. Similarly, TFR also continued to invest in providing all employees with free meals, at a cost of Rs. 10.4 million, as compared with a previous Rs. 12.2 million.

Environmental Sustainability

TFR's policy to consistently enhance environmental sustainability is based on definitive commitments to:

- Make good use of natural resources, to reduce the impact on the environment, by minimizing the consumption of resources and promoting energy-saving and efficiency in its facilities.
- Continuously improve and prevent pollution, by implementing the necessary measures to reduce environmental effects and prevent potential accidents with an environmental impact.
- Continuously update the environmental programmes with maximum participation of the local community.
- Continuously adapt to the applicable environmental legislation and regulations in addition to other applicable requirements.
- To promote environmental education and awareness amongst our employees, as well as our customers and collaborators in relation to environmental protection, by providing information about all the actions carried out within our company.

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, enabling TFR to maintain certification for the third consecutive year.

	2019/ 2020	2018/ 2019
Water consumption Liters	26,293,000	27,757,100
Diesel consumption Liters	123,117	124,404
Electricity consumption Kwh	1,663,494	1,810,380

TFR's commitment to responsible consumption of resources also extends into the use of electricity. Having previously invested in solar panels for the purpose of water heating, the hotel was able to generate 750,000 litres of hot water for staff use in changing rooms through this project.



Through the collective impact of TFR's resource consumption and optimisation initiatives, the hotel was able to reduce total water consumption from 27.8 million litres down to 26.3 million litres, while diesel consumption reduced from 124,404 litres down to 123,117 litres.

Meanwhile electricity consumption dropped from 1.81 million Kwh down to 1.66 million Kwh by the end of the year in review.

TFR's long running organic garden programme also continues to stand as a resounding success, through its continuing success in offsetting the cost of obtaining fresh, organic fruits, vegetables and green leaves for the resort's kitchens. During the year in review, the resort invested a further Rs. 128,883 towards the development of this programme, which yielded a harvest worth approximately Rs. 450,000.

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 continued to support local art and culture, through the regular hosting of Sri Lankan cultural nights that showcase traditional drummers, dancers and musicians, while ensuring 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 flavoured travel experience while creating more opportunities for business for drivers in the area.

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 with shareholders and stakeholders.

We view whistleblowing as a positive act that makes a valuable contribution to the Group's ethical conduct of business, and promotes efficiency and long-term success. Our whistleblowing policy addresses employee concerns, and encourages them to expose irregularities and uncover malpractices in an atmosphere of confidentiality.

Ethical behaviour is core to our commitment to promoting a sustainable and responsible business. Ethics guide 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

TFR adopts a proactive stance towards IT investments given the fact that such programmes tend to provide substantial benefits in terms of enhancing service and administrative capabilities in addition to contributing towards security and business continuity.

During the year in review, these investments included upgrades to the Opera PMS system at a total investment of Rs. 4.15 million, in addition to further investments of Rs. 0.57 million and Rs. 0.5 million towards upgrading TFR's email firewall and mobile app. Additional upgrades on hardware or software utilised by the resort accounted for a further investment of Rs. 0.9 million during the year in review.

Risk Management

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

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

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

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

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 organisational structure and escalated either to drive action or to develop a common solution and implemented along with measures to continuously monitor the effectiveness of same.

By adopting this framework, the Group is able to maintain and develop risk management strategies to assess and control individual types of risk while developing guidelines, raising awareness levels and training staff on the use of controls and systems in order to manage and mitigate existing risks as well as detecting emerging risks. 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 2019 was the Easter Sunday terror attacks in Colombo mainly targeting the tourist hotels and foreigners. This created a devastating impact on the industry and most of the Hotels did not have business for the three months from May to July 2019. Business gradually started improving and most of the hotels had substantial business from August 2019 to February 2020 with increase in tourist arrivals from all major markets. Then again third week of the March 2020 Sri Lankan government decided to close the Airport for international flights and passengers due to the Covid-19 pandemic and this was the most significant threat that the industry faced during the past few decades. Since this pandemic was spreading throughout the globe, most countries had to close their airports and borders and enforced severe bans on travelling with a complete lockdown of the countries for weeks and months.

With airlines and airports functioning only for the essential services the resumption of global tourist travel is still questionable. Most of the countries in the world are still fighting with the virus and experts say that the situation will remain till at least the end of 2020. The WHO has advised

all countries to keep their action plans for combating the virus intact as there can be a second wave of the virus affecting all nations of the globe.

As of now, Sri Lanka has softened its regulations and guidelines as it has been able to control the virus in a more proactive manner. As a result, SLTDA has issued operating guidelines to registered hotels to reopen the hotels for local customers. This will definitely help to keep some hopes about the industry alive and the country will be opened for the foreign holiday makers after opening the Airports within the next few weeks. But the devastating impact created by the Covid-19 pandemic cannot be measured at this juncture and even the best economies in the world collapsed and millions of people lost their jobs in a very short period of time.

Although a sharp depreciation of the Sri Lankan Rupee against the US Dollar took place towards the end of the financial year 19/20 as a result of the Covid-19 pandemic impact, it has started stabilizing from the month of May 2020 after opening the country for economic activities. Other than the additional risk exposure created due to Easter Sunday attacks in the beginning of the financial year and the Covid-19 pandemic at the end of financial year 19/20, the risk exposure and the profile of the group did not change significantly last year. A review of the key risks that could materially affect the hotel with the control measures and action plans implemented to mitigate them are set out below.

Risk category and description	Potential Impact	Control measures and action plans to mitigate risk
Strategic Risk : Market Share		
Loss of market share in a high growth environment or industry 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 (22 Ocean category rooms were fully refurbished 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 good manufacturing process (GMP) certificate from SLSI in 2018 and continue the same during the year.

Risk Management

Risk category and description	Potential Impact	Control measures and action plans to mitigate risk
Business Risk		
The inability of the Hotel to achieve its business objectives.	Adverse impact on planed profitability and cash flows.	<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.
	Availability of affordable credit	<ul style="list-style-type: none"> Implementation of stringent cost control procedures and innovative cost saving initiatives in the hotel level.
	Increase in operating and assets replacement costs due to fluctuation in exchange rates.	<ul style="list-style-type: none"> Ongoing review of cost and expenditure by operational and finance staff to determine appropriate revision of rates and tariffs.
Statutory & Legal Risk		
Implications that arise due to non-compliance with regulatory requirements.	Loss which may arise due to non-compliance with statutes.	<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.
Risk of litigations from the guests, customers, suppliers, associates and regulatory authorities.	Enhanced incidence and potential exposure due to proposed legislation	<ul style="list-style-type: none"> Active engagement with industry advisory and policy making bodies to articulate concerns and make representations upon invitation.
	Loss arising from flawed contracts.	<ul style="list-style-type: none"> Continuous review and development of information systems which detect and report deviations.
Operational Risk		
Demand		
The adverse impact on Hotel turnover due to over / under capacity and / or weak demand in traditional source markets.	Amplified negative impact on revenue streams during the off peak season.	<ul style="list-style-type: none"> Expansion of distribution channels through digitised web and direct marketing strategies. Participation in global and regional tourism promotional events in potential and emerging markets like China and India.
	Lower room rates and lower growth prospects.	<ul style="list-style-type: none"> Maintaining dynamic relationship with key overseas industry partners through direct contact and local representatives. Cultivating and nurturing guest loyalty by recognizing and rewarding guests who frequently patronize the hotel. Collaborating with the local tourism authorities to mitigate where appropriate adverse media reports and canvassing relaxation of negative travel advisories. Collaborating with local tourism authorities in marketing initiatives undertaken in key generating markets. Introduction of unique and innovative services to create demand for the destination.

Risk category and description	Potential Impact	Control measures and action plans to mitigate risk
Project Implementation Risk		
The adverse impact on hotel revenues due to delaying projects.	Cost over runs and loss of earnings due to delays.	<ul style="list-style-type: none"> Establishing project timelines in consultation with all relevant parties.
	Exposure to risk of repetitive nature.	<ul style="list-style-type: none"> 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 and adherence to brand standard across the hotel. Exceeding customer expectations by careful analysis of guest feedback and providing appropriate and prompt responses to identified issues. Strong focus on innovation and nurturing an environment conducive to creative thinking. Benchmarking against globally recognized quality standards. Monitoring of customer service index reports on regular basis to see whether any lapses in facilities and the service areas.
Brand Equity and Reputation		
Any event that could undermine the brand equity and the reputation of the hotel and/or failure to sustain the appeal of the hotel brand to its customers.	Decline in customer base, loss of market share, market penetration and ability to develop the business.	<p>Although some factors are beyond its control, the hotel adopts the following approaches to mitigate this risk.</p> <ul style="list-style-type: none"> Innovative service in keeping with brand promise.
	Inability to maintain room rate differentiation and competitive advantage.	<ul style="list-style-type: none"> 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.
	Erosion in confidence may damage sustainability of hotel business.	<ul style="list-style-type: none"> Hotel operation is monitored against and guided by the Standard Operating procedures (SOP). Continuous monitoring and review of on-line customer reviews and ratings.

Risk Management

Risk category and description	Potential Impact	Control measures and action plans to mitigate risk
Personnel		
The risk of losing highly skilled staff and key personnel due to industry growth, inappropriate labour.	<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 • Recognising superior performance by presenting certificates and cash rewards to appreciate and reward associates.
Technology and data protection Risk		
Failure to keep pace with developments in technology could impair our competitive position and operations	<p>Adverse impact on efficiency of operations, guest satisfaction and loss of competitive advantage.</p> <p>Additional investment in new technologies/ systems to remain competitive.</p>	<ul style="list-style-type: none"> • The IT division of the hotel has implemented procedures to safeguard the computer installations of the hotel to ensure continuity of operations. • Reservation and property management system upgraded for greater alignment with business needs making it easier to respond to changes in business strategy. • Business continuity and disaster recovery plans have been placed in line in case of any emergency situations. Developed plans were submitted to the internal auditors for their review and the plans were approved for placement.
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 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.
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 wherever 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 remittances are channelled through FCBU accounts denominated in three major currencies (USD, EURO, GBP) to mitigate any possible risks on cross conversions.

Risks associated with and arising from global pandemics, global economic uncertainty, greater regulation, financial volatility, growing competition for markets 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 practices.

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 for the financial year ended 31st March 2020 conforming to all relevant statutory requirements.

This Report provides the information as required by the Companies Act, No.07 of 2007, Listing Rules of the Colombo Stock Exchange and the recommended best practices.

General

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

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

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

Principal activities of the Company and its subsidiaries

The Company has invested in its wholly owned subsidiary, La Forteresse (Private) Limited, which provides lodging, food, beverage and other hospitality industry related activities.

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.

Financial Statements

The Financial Statements of the Company and the consolidated Financial Statements of the Group, 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 82 to 118 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

(Alternate Director Ms. Kawshi Amarasinghe)

Mr L T Samarawickrama - Deputy Chairman

(Resigned w.e.f. 22.11.2019)

(Alternate Director - Mr H Somasantha
ceased w.e.f. 22.11.2019)

Mr J A S S Adhihetty - Director

Mr Malik J Fernando - Director

(Alternate Director Mr. A H Nalintha Rodrigo
Resigned w.e.f. 11.08.2020)

(Alternate Director Mr. R N Malinga
Appointed w.e.f. 11.08.2020)

Mr Merrill J Fernando - Director

Mr L N de S Wijeyeratne* - Director

Mr D E Silva - Director

(Resigned w.e.f. 22.11.2019)

Mr Chatura V Cabraal* - Director

Mr C U Weerawardane* - Director

Mr R E U de Silva* - Director

*Independent Non-Executive Directors

Mr C U Weerawardane was re-designated as an Independent Non-Executive Director with effect from 28th January 2020.

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

Mr Merrill J Fernando, who is 90 years of age, offers himself for appointment as a Director in pursuance of Section 211 of the Companies Act with the recommendation of the Directors. A resolution proposing the appointment of Mr Merrill J Fernando to the Board of the Company, specially 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.

Mr L N de S Wijeyeratne, who attained the age of 70 years on 27th March 2020, vacates office at the conclusion of the Annual General Meeting in terms of Section 210 of the Companies Act, No.7 of 2007. The Board recommends his re-appointment in terms of Section 211 of the Companies Act and accordingly a resolution, specially 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.

Mr J A S S Adhihetty, who attained the age of 70 years on 4th July 2020, vacates office at the conclusion of the Annual General Meeting in terms of Section 210 of the Companies Act, No.7 of 2007 and is recommended by the Board for re-appointment as a Director under Section 211 of the Companies Act. Accordingly a resolution, specially declaring that the age limit stipulated in Section 210 of the Companies Act shall not apply to the said Directors, 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
Mr Malik J Fernando
Mr Merrill J Fernando
Mr G A R D Prasanna

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
Mr. J A S S Adhihetty
Mr. M H Jamaldeen
Mr. J A N R Adhihetty

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 25 to the Financial Statements.

Directors' Remuneration

The Directors remuneration is disclosed under Key Management Personnel of the Company in Note No 25.2.1 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 2020 amounted to Rs 1,108,866,840/- represented by 110,886,684 shares.

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

Directors' shareholding

The relevant interests of Directors in the shares of the Company as at 31st March 2020 are as follows:

	Shareholding as at 31/03/2020	Shareholding as at 31/03/2019
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. Malik J Fernando	833,333	833,333
Mr. Merrill J Fernando	2,124,400	2,124,400
Mr. L N de S Wijeyeratne*	Nil	Nil
Mr. Jan Van Twest	Nil	Nil
Mr. Chatura V Cabraal*	Nil	Nil
Mr. C U Weerawardane*	Nil	Nil
Mr. R E U de Silva*	Nil	Nil
Ms. Kawshi Aramasinghe (Alternate Director to Mr. Dhammika Perera)	Nil	Nil
Mr. R N Malinga (Alternate Director to Malik J Fernando)	Nil	Nil

* Independent Non-Executive Directors

Messrs Dhammika Perera and J A S S Adhihetty are Directors of L B Finance PLC, which held 4,051,100 shares as at 31st March 2020.

Messrs Dhammika Perera is a Director of Royal Ceramics Lanka PLC which held 336,100 shares as at 31st March 2020.

Messrs Dhammika Perera and J A S S Adhihetty are Directors of Vallibel One PLC which held 19,977,345 shares as at 31st March 2020.

Messrs Merrill J Fernando and Malik J Fernando are Directors of MJF Holdings Limited, which held 28,616,411 shares as at 31st March 2020.

Mr. Dhammika Perera is also a Director of Vallibel Leisure (Private) Limited which held 24,417,932 shares as at 31st March 2020.

Declaration under Rule 9.3.2 (d) of Listing Rules

The Directors declare that the Company is in compliance with Rule 9 of the Listing Rules of the Colombo Stock Exchange pertaining to Related Party Transactions during the Financial Year ended 31st March 2020.

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 121 and 122.

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, 890,000/=) for the year under review.

The Auditors have also provided non-Audit services and the fee payable there for amounts to Rs, 93,021/= (Group – Rs 480,514/=) 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.

Independence of Auditors

Based on the declaration provided by Messrs Ernst & Young, Chartered Accountants and to the extent that the Directors are aware, the Auditors do not have any relationship with (other than that of the Auditor), or interest in, the Company and the Group, which in the opinion of the Board, may reasonably be considered to have a bearing on their independence within the meaning of the Code of Professional Conduct and Ethics issued by The Institute of Chartered Accountants of Sri Lanka as at the reporting date.

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, 127,995/=)

Dividend

The Directors have not recommended Final dividend for the financial year ended 31st March 2020.

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 pages 10 to 17 and Risk Management Practices on pages 115 to 117 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 29th September 2020 at 10.30 a.m. at the Auditorium of the L B Finance PLC, Corporate Office, No.20, Dharmapala Mawatha, Colombo 03

The notice of the Annual General Meeting appears on page 123.

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

12 August 2020
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 Ten (10) members (of whom two have Alternate Directors). Eight (08) Directors including the Chairman are Non-Executive Directors.

The names of the Directors who served during the year under review are given on page 50.

Based on declarations submitted by the Non-Executive Directors, the Board has determined that Four (04) Directors are 'independent' as per the criteria set out in 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.

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, 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 either to fill a casual vacancy or as additional Directors to hold office until the next Annual General Meeting and seek appointment by the shareholders at that meeting.

Board Meetings

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

During the year ended 31st March 2020, 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	04/04
Mr. L T Samarawickrama*	Non-Executive	00/04
Mr. K D H Perera	Executive	03/04
Mr. Jan P Van Twest	Executive	04/04
Mr. J A S S Adihetty	Non-Executive	04/04
Mr. Malik J Fernando	Non-Executive	00/04
Mr. Merrill J Fernando	Non-Executive	00/04
Mr L N de Silva Wijeyeratne	Independent Non-Executive	03/04
Mr. D E Silva*	Non-Executive	02/04
Mr. Chatura V Cabraal	Independent/Non-Executive	04/04
Mr. C U Weerawardena	Independent/Non-Executive	04/04
Mr. R E U De Silva	Independent/Non-Executive	03/04
Mr. Haresh Somashantha** (Alternate Director to L T Samarawickrama)		00/04
Ms. Kawshie Amarasinghe (Alternate Director to Mr. DhammikaPerera)		02/04
Mr. A H N Rodrigo*** (Alternate Director to Mr. Malik J Fernando)		02/04

*Resigned w.e.f 22.11.2019

**Ceased w.e.f. 22.11.2019

***Resigned w.e.f 11.08.2020

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 and Messrs Malik J Fernando and C V Cabraal serve as Members.

The Senior Management attends the meetings by invitation.

Remuneration Committee

The Remuneration Committee consists of three (3) Non-Executive Directors, two (02) of whom are Independent Directors. Mr. J A S S Adhihetty is the Chairman of the Remuneration Committee and Mr. R E U de Silva and Mr. C U Weerawardane are Members.

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

Related Party Transactions Review Committee

The Related Party Transactions Review Committee consists of three (3) Non-Executive Directors, two (02) of whom are Independent Directors. Mr. L N de S Wijeratne is the Chairman of the Committee and Messrs. J A S S A dhihetty and C V Cabraal are Members.

The Management

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

Financial Reporting

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

The Statement of Directors' Responsibilities for the Financial Statements is given on page 68 of this Report.

Internal Controls

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

Corporate Disclosure and Shareholder Relationship

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

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

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

Corporate Governance

Financial Disclosures and Transparency

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

Auditors

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

Statutory Payments

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

By Order of the Board
The Fortress Resorts PLC



P W Corporate Secretarial (Pvt) Ltd
Director / Secretaries

12 August 2020

Compliance with Continuing Listing Rules - Check List

Compliant ☒ Non Compliant ☒

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

Corporate Governance

Rule No	Subject	Applicable requirement	Compliance Status	Applicable section in the Annual Report
7.10.6	Audit Committee	The company shall have an Audit Committee	<input checked="" type="checkbox"/>	Corporate Governance
7.10.6 (a)	Composition of an Audit Committee	Shall comprise of Non-Executive Directors and majority of whom should be independent.	<input checked="" type="checkbox"/>	Corporate Governance and the Board Committee Reports.
		Non-Executive Directors shall be appointed as the Chairman of the Audit Committee.	<input checked="" type="checkbox"/>	Corporate Governance and the Board Committee Reports.
		Chief Executive Officer and the Chief Financial Officer should attend Audit Committee Meetings.	<input checked="" type="checkbox"/>	Audit committee 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 checked="" type="checkbox"/>	
7.10.6 (c)	Disclosure in the Annual Report relating to Audit Committee.	(a) Names of the Directors comprising the Audit Committee.	<input checked="" type="checkbox"/>	Corporate Governance and the Board Committee Reports.
		(b) The Audit Committee shall make a determination of the independence of the Auditors and disclose for such determination.	<input checked="" type="checkbox"/>	Audit committee report
		(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"/>	Audit committee report

Adoption of Joint Code of Best Practice Checklist

Compliant ☒ Non Compliant ☐

Code Ref.	Subject	Applicable Requirement	Adoption Status	Applicable Section in the Annual Report
A.1	DIRECTORS - Board			
A.1.1	Frequency of Board Meetings	Board should meet regularly, at least once in every quarter	<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		Corporate Governance
A.1.3	Access to professional advice	Procedures to obtain independent professional advice	<input checked="" 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 checked="" 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"/>	
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 checked="" type="checkbox"/>	
A.1.7	Training for Directors	Directors should receive appropriate training , hone skills and expand knowledge to more effectively perform duties	<input checked="" type="checkbox"/>	
A.2	DIRECTORS - Chairman & Chief Executive Officer			
A.2.	Division of responsibilities to ensure no individual has unfettered powers of decision.	A balance of power and authority to be maintained by separating responsibility for conducting Board business from that of executive decision making	<input checked="" type="checkbox"/>	

Corporate Governance

Code Ref.	Subject	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.	<input checked="" type="checkbox"/>	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.	<input checked="" type="checkbox"/>	Corporate Governance
A.5	DIRECTORS - Board Balance			
A.5.1	Composition of Board	The Board should include a sufficient number of non - executive independent directors.	<input checked="" type="checkbox"/>	Corporate Governance
A.5.2	Proportion of independent directors	Two or one third of the non - executive directors should be independent.	<input checked="" type="checkbox"/>	Corporate Governance
A.5.3	Test of independence	Independent directors should be independent of management and free of any business or other relationship that could materially interfere with the exercise of unfettered and independent judgement.	<input checked="" type="checkbox"/>	
A.5.4	Declaration of independence	Non - executive directors should submit a signed and dated declaration of their independence / non - independence	<input checked="" type="checkbox"/>	
A.5.5	Annual determination of criteria of independence / non - independence and declaration of same by Board	The Board should annually determine and disclose the name of directors deemed to be independent	<input checked="" type="checkbox"/>	Corporate Governance
A.5.6	Appointment of senior Independent Director	If the roles of Chairman / CEO are combined, a non - executive should be appointed as a Senior Independent Director.	N/A	
A.5.7	Availability of Senior Independent Director to other Directors	If warranted the SID should be available to the other directors for confidential discussions.	N/A	
A.5.8	Interaction between Chairman and non - executive independent directors.	The Chairman should meet the non - executive independent directors at least once a year.	<input checked="" type="checkbox"/>	
A.5.9	Directors concerns to be recorded	When matters are not unanimously resolved, directors to ensure their concerns are recorded in Board minutes.	<input checked="" type="checkbox"/>	

Code Ref.	Subject	Applicable Requirement	Adoption Status	Applicable Section in the Annual Report
A.6	DIRECTORS - Supply of information			
A.6.1	Provision of adequate information to Board	Management to ensure the board is provided with timely and appropriate information.	<input checked="" type="checkbox"/>	Corporate Governance
A.6.2	Adequacy of Notice and formal agenda to be discussed at board meetings	Board minutes , agenda and papers should be circulated at least seven days before the Board meeting.	<input checked="" type="checkbox"/>	
A.7	DIRECTORS - Appointment to the Board			
A.7.1	Nomination Committee	Nomination committee of parent may function as such for the Company and make recommendations to the Board on new Board appointments.	<input checked="" type="checkbox"/>	
A.7.2	Annual assessment of Board composition	Nomination committee or Board should annually assess the composition of Board.	<input checked="" type="checkbox"/>	Corporate Governance
A.7.3	Disclosure of new board appointments	Profiles of new board appointments to be communicated to Shareholders.	<input checked="" type="checkbox"/>	
A.8	DIRECTORS - Re - election			
A.8.1	Appointment of non - executive directors	Appointment of non - executive directors should be for specified terms and re - election should not be automatic	<input checked="" type="checkbox"/>	Corporate Governance/ Annual Report of the Board of Directors
A.8.2	Shareholder approval of appointment of all directors	The appointment of all directors should be subject to election by shareholders at the first opportunity	<input checked="" 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 checked="" 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 checked="" type="checkbox"/>	
A.9.3	Declaration of basis of performance evaluation	The Board should disclose how performance evaluations have been carried out	<input checked="" 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

Corporate Governance

Code Ref.	Subject	Applicable Requirement	Adoption Status	Applicable Section in the Annual 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 checked="" 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 checked="" type="checkbox"/>	
8.1	DIRECTORS REMUNERATION - Remuneration Procedure			
8.1.1	Appointment of Remuneration Committee	Remuneration Committee of parent may function as such for the Company to make recommendations on directors remuneration	<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 checked="" type="checkbox"/>	
8.2	DIRECTORS REMUNERATION - Level and Make up of Remuneration			
8.2.1	Remuneration packages for executive directors.	Packages should be structured to attract, retain and motivate executive directors	<input checked="" type="checkbox"/>	
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.	<input checked="" type="checkbox"/>	
8.2.3	Appropriateness of remuneration and conditions in relation to other Group companies	When determining annual increases remuneration committee should be sensitive to that of other Group companies	<input checked="" type="checkbox"/>	

Code Ref.	Subject	Applicable Requirement	Adoption Status	Applicable Section in the Annual Report
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	N/A	
8.2.6	Remuneration packages for non-executive directors	Should reflect time commitment and responsibilities of role and in line with existing market practice	<input checked="" type="checkbox"/>	
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 25.2.1
C.1	RELATIONS WITH SHARE HOLDERS - Constructive use and conduct of Annual General Meeting			
C.1.1	Proxy votes to be counted	The company should count and indicate the level of proxies lodged for and against in respect of each resolution	<input checked="" type="checkbox"/>	
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

Corporate Governance

Code Ref.	Subject	Applicable Requirement	Adoption Status	Applicable Section in the Annual Report
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
		The company has not contravened laws or regulations in conducting its activities	<input checked="" type="checkbox"/>	Annual Report of the Board of Directors
		Material interests in contracts have been declared by Directors	<input checked="" type="checkbox"/>	Financial Statements
		The Company has endeavoured to ensure equitable treatment of shareholders	<input checked="" type="checkbox"/>	Corporate Governance
		That the business is a "going concern"	<input checked="" type="checkbox"/>	Annual Report of the Board of Directors
		That there is reasonable assurance of the effectiveness of the existing business systems following a review of the internal controls covering financial, operational and compliance	<input checked="" type="checkbox"/>	Audit Committee report, Risk Management
D.1.3	Respective responsibilities of Directors and Auditors	The Annual Report should contain separate statements setting out the responsibilities of the Directors for the preparation of the financial statements and the reporting responsibilities of the Auditors	<input checked="" type="checkbox"/>	Respective responsibilities of Directors and Auditors
D.1.4	Management Discussion and Analysis	Annual Report to include section on Management Discussion and Analysis	<input checked="" type="checkbox"/>	Management Discussion and Analysis
D.1.5	Going Concern	Directors to substantiate and report that the business is a going concern or qualify accordingly	<input checked="" type="checkbox"/>	Annual Report of the Board of Directors
D.1.6	Serious Loss of Capital	Directors to summon an Extraordinary General Meeting in the event that the net assets of the company falls below 50 % of the value of Shareholders Funds	N / A	

Code Ref.	Subject	Applicable Requirement	Adoption Status	Applicable Section in the Annual Report
D.2	ACCOUNTABILITY AND AUDIT - Internal Control			
D.2.1	Effectiveness of system of internal controls	Directors to annually conduct a review of the effectiveness of the system of internal controls. This responsibility may be delegated to the Audit Committee	<input checked="" type="checkbox"/>	Audit Committee Report / Risk Management
D.3	AUDIT COMMITTEE			
D.3.1	Chairman and Composition of Audit Committee	Should comprise of a minimum of two independent non - executive directors	<input checked="" type="checkbox"/>	Audit Committee Report
		Audit Committee Chairman should be appointed by the Board	<input checked="" type="checkbox"/>	
D.3.2	Duties of Audit Committee	Should include	<input checked="" type="checkbox"/>	Corporate Governance
		Review of scope and results of audit and its effectiveness	<input checked="" type="checkbox"/>	
		Independence and objectivity of the Auditors	<input checked="" type="checkbox"/>	
D.3.3	Terms of Reference / Charter	The Audit Committee should have a written terms of reference which define the purpose of the Committee and its duties and responsibilities	<input checked="" type="checkbox"/>	
D.3.4	Disclosures	The Annual Report should disclose the names directors serving on the Audit Committee	<input checked="" type="checkbox"/>	Corporate Governance / Audit Committee Report
		The Audit Committee should determine the independence of the Auditors and disclose the basis of such determination	<input checked="" type="checkbox"/>	Corporate Governance
		The Annual Report should contain a report by the Audit Committee setting out the manner of the compliance of the Company during the period to which the report relates.	<input checked="" type="checkbox"/>	Audit Committee Report
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 checked="" 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

Corporate Governance

Code Ref.	Subject	Applicable Requirement	Adoption Status	Applicable Section in the Annual Report
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 Practice 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 checked="" 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"/>	
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

Responsibility Statement of Chairman, Managing Director and Chief Financial Officer

The financial statements of The Fortress Resorts PLC and the consolidated financial statements of the Group, as at 31st March 2020, are prepared and presented in conformity with the requirements of the following:

1. Sri Lanka Accounting Standards, issued by the Institute of Chartered Accountants of Sri Lanka
2. The Companies Act No. 07 of 2007
3. The Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995
4. Listing Rules of the Colombo Stock Exchange
5. The Code of Best Practice on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka.

We confirm that the significant accounting policies used in the preparation of the financial statements are appropriate, and are consistently applied, unless otherwise stated in the notes to the financial statements. The significant accounting policies and estimates that involved a high degree of judgment and complexity were discussed with the Audit Committee and our external auditors.

We have also taken proper and sufficient care in installing systems of internal control and accounting records to safeguard assets and to prevent and detect fraud as well as other irregularities. These have been reviewed, evaluated and updated on an ongoing basis. Reasonable assurances that the established policies and procedures of the company have been consistently followed were provided by periodic audits conducted by the Group's internal auditors. However, there are inherent limitations that should be recognized in weighing the assurances provided by any system of internal controls and accounting.

The Audit Committee of the Company meets periodically with the internal auditors and the independent auditors to review the effectiveness of audits, and to discuss auditing, internal control and financial reporting issues. The independent auditors and the internal auditors have full and free access to the Audit Committee to discuss any matter of substance.

The financial statements were audited by the independent external auditors, Messrs Ernst & Young, Chartered Accountants. The Audit Committee approves the audit and non-audit services provided by the external auditor, in order to ensure that the provision of such services do not impair their independence.

We confirm that

- the company and its subsidiaries have complied with all applicable laws, regulations and prudential requirements;
- there are no material non-compliances; and
- there are no material litigations that are pending against the group



Dhammika Perera
Chairman



K.D.H. Perera
Managing Director



Thilaksiri Dunuhinga
Chief Financial Officer

09 June 2020

Statement of Directors' Responsibilities

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

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

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

Further, the Directors confirm that, after review of the Company's Business Plan for the financial year 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

12 August 2020

Remuneration Committee Report

Composition

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

Mr. J A S S Adhihetty (Chairman)
Mr. R E U de Silva
Mr. C U Weerawardane

Meetings

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

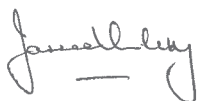
The Managing director and the Executive Directors attend meetings of the committee by invitation and provide relevant information and their views to the committee for its deliberations, except when the Executive Director's remuneration packages and other matters relating to them are discussed.

Functions

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

Directors' Remuneration

The total of Directors' remuneration paid during the year under review is set out in note 22.2.1 to the financial statements.



J A S S Adhihetty
Chairman - Remuneration Committee

09 June 2020

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 Silva Wijeyeratne - (Chairman)
- Mr. C V Cabraal - Member
- Mr. Malik J Fernando - Member

The Company Secretary functions as the Secretary to the Audit Committee

The committee met 4 times during the year in review and the attendance for the meetings are as follows;

Name of the Member	Meetings attended (out of 04)
Mr. L N de Silva Wijeyeratne	04 / 04
Mr. C V Cabraal	04 / 04
Mr. Malik J Fernando	02 / 04

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 2020.

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 16 (Leasing).
- Reviewed the quarterly and yearend financial statements and recommended their adoption to the Board.
- Reviewed the type and quantum of non-audit services provided by the external auditors to the Company to ensure that their independence as auditors has not been impaired.
- Reviewed the Company's compliance framework to determine that it provides reasonable assurance that all relevant laws, rules and regulations have been complied with.

The Audit Committee has recommended to the Board of Directors that Messrs Ernst & Young be re-appointed as Auditors for the Financial Year ending 31st March 2021, subject to the approval of the shareholders at the next Annual General Meeting.



L N de Silva Wijeyeratne (FCA)
Chairman - Audit Committee

09 June 2020

Related Party Transactions Review Committee Report

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

Composition of the Committee

The members of the RPTRC are as follows.

1. Mr. L N de Silva Wijeyeratne (Chairman)
Independent Non Executive Director
2. Mr. J A S S Adhihetty - *Non Executive Director*
3. Mr. C V Cabraal - *Independent 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 was as follows.

Name of the Members	Meetings attended (out of 04)
Mr. L N de Silva Wijeyeratne	04 / 04
Mr. J A S S Adhihetty	04 / 04
Mr. C V Cabraal	03 / 04

Purpose of the Committee

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

Policies and Procedures

- The RPTRC reviews all the Related party Transactions of the listed company of the Fortress group and where the Committee decides that the approval of the Board of Directors of the respective company is necessary to approve a Related Party Transaction, such Board approval obtained prior entering into the relevant Related Party Transaction.
- When reviewing a transaction, the RPTRC would decide whether the proposed transaction is carried out on an arm's length basis irrespective of whether it is recurrent or non-recurrent in nature.

- Reviewing and approval would be either by meeting of members (subject to quorum being present) or by circulation.
- In determining whether to obtain the approval of the Board of Directors for a Related Party Transaction, the RPTRC will take in to account, among other factors it deems appropriate, whether the proposed RPTs pose a conflict of interest to the Directors.

The self-declarations from the directors and key Management Personnel are obtained for the purpose of identifying parties related to them. Further the guidelines which senior management must follow in routine 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 2019 to 31st March 2020 have been reviewed by the members of the RPTRC and the comments and observations of the Committee have been communicated to the Board of Directors of the Company. The approval of the shareholders has been obtained and announcements were made to the Colombo Stock Exchange where applicable.



L N de Silva Wijeyeratne
Chairman - Related Party Transactions Review Committee
The Fortress Resorts PLC

09 June 2020
Colombo



2,064

Total Assets (Rs. Mn)

1,772

Shareholders Funds (Rs. Mn)



2,161

52

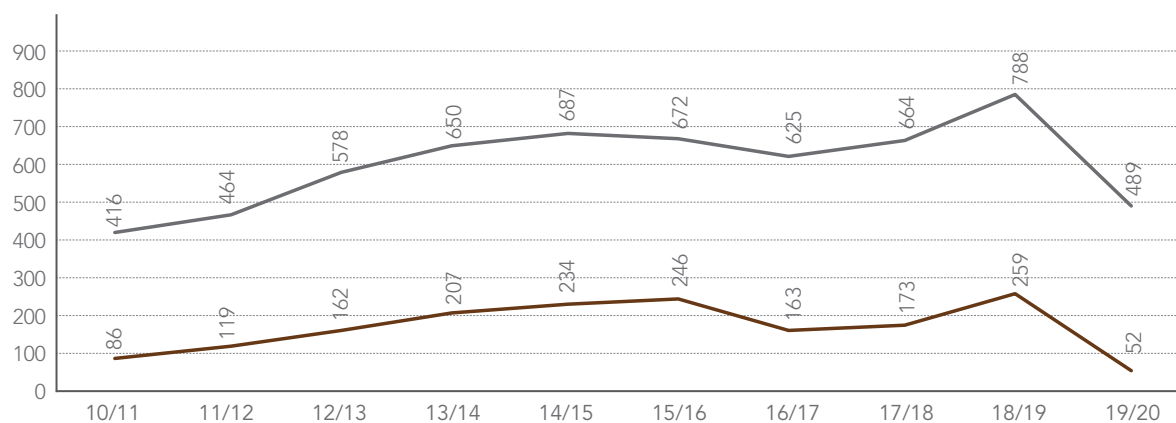
27

Total Revenue (Rs. Mn)

Profit Before Tax (Rs. Mn)

Profit After Tax (Rs. Mn)

Turnover Vs PBT (Rs. Mn)



Financial Reports

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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 2020, 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 2020, 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.

Emphasis of Matter – Implications of Covid19 on the Group's operations

As discussed in Note 2.1.1. (B), the Group has temporarily closed the operations of the Hotel in response to COVID-19. At this point, the Group can not reasonably estimate the duration and severity of this pandemic, which could have an impact on the Group's business, results of operations, financial position and cash flows in the year ending 31 March 2021. Our opinion is not modified in respect of this matter.

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.

Partners: W R H Fernando FCA FCMA R N de Saram ACA FCMA Ms. N A De Silva FCA Ms. Y A De Silva FCA W R H De Silva ACA ACMA 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 Sajeewani FCA N M Sulaiman ACA ACMA B E Wijesuriya FCA FCMA
Principals: G B Goudian ACMA A A J R Perera ACA ACMA T P M Ruberu FCMA FCCA

A member firm of Ernst & Young Global Limited

Independent Auditor's Report



Key audit matter	How our audit addressed the key audit matter
<p>Investments in short term deposits in related party finance companies</p> <p>The Group invested an amount of Rs. 649,350,531/- (2019 – Rs. 566,588,628/-) in short term deposits of two related party registered finance companies from which it earned interest income of Rs 56,986,356/- (2019 – Rs. 53,679,855/-) for the year as disclosed in Note 25.3.</p> <p>Considering the magnitude of and the inherent risk associated with related party transactions and balances together with probable effects of the current pandemic on liquidity needs of the Group, we considered this as a key audit matter.</p>	<p>Our procedures in relation to related party transactions and disclosures included the following, among others:</p> <ul style="list-style-type: none">• We evaluated the appropriateness of management's process for identifying and recording related party transactions.• We inspected fixed deposit certificates and confirmations to understand the nature, terms and conditions of the transactions.• We corroborated the management's plan for re-investment and upliftment of short-term deposits upon maturities by tracing those to cash flow forecasts and credit ratings of the respective finance companies.• We performed analytical review procedures to evaluate the reasonableness of interest income.• We assessed the adequacy of the related disclosures given in note 25.3 to the financial statements.

Other information included in the 2020 annual report

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

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

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

Responsibilities of the management and those charged with governance

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

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

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

Auditor's responsibilities for the audit of the financial statements

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



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

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

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

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

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

Report on other legal and regulatory requirements

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

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 1864.

09 June 2020
Colombo

Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 March 2020	Note	Group		Company	
		2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Revenue	4	489,320,003	787,787,516	114,036,228	122,808,245
Cost of sales		(155,351,365)	(217,206,486)	-	-
Gross profit		333,968,638	570,581,030	114,036,228	122,808,245
Other income and gains	5	844,618	5,930,434	-	-
Advertising and marketing expenses		(27,402,795)	(33,849,448)	-	-
Administrative expenses		(302,891,073)	(336,397,926)	(6,226,422)	(5,945,306)
Finance cost	6.1	(10,553,991)	(2,299,884)	-	-
Finance income	6.2	58,366,964	55,116,864	-	-
Profit before tax	7	52,332,361	259,081,070	107,809,806	116,862,939
Income tax expenses	8	(24,951,754)	(49,560,154)	-	-
Profit for the year		27,380,606	209,520,916	107,809,806	116,862,939
Other comprehensive income/(loss)					
Other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods					
Actuarial gain/(loss) on defined benefit plan	20	2,222,389	(511,930)	-	-
Income tax effect		(311,134)	71,670	-	-
Net other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods		1,911,254	(440,260)	-	-
Other comprehensive income/ (loss) for the year, net of tax					
		1,911,254	(440,260)	-	-
Total comprehensive income for the year, net of tax		29,291,860	209,080,656	107,809,806	116,862,939
Profit and total comprehensive income attributable to:					
Entire profit and total comprehensive income is attributable to the equity holders of the parent.					
Basic earnings per Share	9.1	0.25	1.89	0.97	1.05
Dividend per Share	9.2	1.00	1.00	1.00	1.00

The accounting policies and notes on pages 82 to 118 form an integral part of these financial statements.

Statement of Financial Position

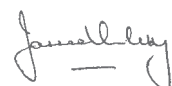
As at 31 March 2020	Note	Group		Company	
		2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
ASSETS					
Non-Current Assets					
Property, plant and equipment	10	1,321,930,454	1,343,775,163	-	-
Right of use assets	11	53,070,261	-	-	-
Investments in subsidiary	12	-	-	1,000,009,990	1,000,009,990
Intangible assets	13	4,314,188	3,414,681	-	-
		1,379,314,903	1,347,189,844	1,000,009,990	1,000,009,990
Current Assets					
Inventories	15	22,340,146	21,118,791	-	-
Trade and other receivables	16	33,995,698	58,031,197	104,500,049	107,338,566
Advances and prepayments		39,484,263	39,273,258	-	-
Short term deposits	17	662,430,133	578,579,436	-	-
Cash and cash equivalents	18	23,429,664	19,948,196	1,029,985	298,392
		781,679,904	716,950,878	105,530,034	107,636,958
Total Assets		2,160,994,807	2,064,140,722	1,105,540,024	1,107,646,948
EQUITY AND LIABILITIES					
Capital and Reserves					
Stated capital	19	1,108,866,840	1,108,866,840	1,108,866,840	1,108,866,840
Accumulated profit/(losses)		662,810,271	744,405,095	(5,324,495)	(2,247,617)
Equity attributable to equity holders of the parent		1,771,677,111	1,853,271,935	1,103,542,345	1,106,619,223
Non controlling interest		1,000	1,000	-	-
Total Equity		1,771,678,111	1,853,272,935	1,103,542,345	1,106,619,223
Non-Current Liabilities					
Interest bearing loans and borrowings	14	139,449,514	11,737,016	-	-
Retirement benefit obligation	20	17,090,528	17,093,080	-	-
Deferred tax liability	8.4	47,657,488	44,213,317	-	-
Government grants	23	4,342,595	-	-	-
		208,540,124	73,043,413	-	-
Current Liabilities					
Trade and other payables	21	62,326,290	71,053,315	1,997,679	1,027,725
Contract liabilities	22	23,492,298	45,478,559	-	-
Interest bearing loans and borrowings	14	80,642,622	7,265,560	-	-
Government grants	23	14,315,361	-	-	-
Income tax payables		-	14,026,940	-	-
		180,776,572	137,824,374	1,997,679	1,027,725
Total Equity and Liabilities		2,160,994,807	2,064,140,722	1,105,540,024	1,107,646,948

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

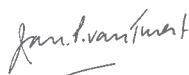


Chief Financial Officer

The Board of Directors is responsible for these financial statements. Signed for and on behalf of the Board by;



Director



Director

The accounting policies and notes on pages 82 to 118 form an integral part of these financial statements.

09 June 2020
Colombo

Statement of Changes in Equity

Year ended 31 March 2020				
Group	Attributable to the equity holders of the parent		Non	Total
	Stated Capital Rs.	Accumulated Profit Rs.	Controlling Interest Rs.	
Balance as at 01 April 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
Dividends	-	(110,886,684)	-	(110,886,684)
Profit for the year	-	27,380,606	-	27,380,606
Other comprehensive gain	-	1,911,254	-	1,911,254
Balance as at 31 March 2020	1,108,866,840	662,810,271	1,000	1,771,678,111

Company	Stated Capital Rs.	Accumulated Losses Rs.	Total Rs.
Balance as at 01 April 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
Dividends	-	(110,886,684)	(110,886,684)
Profit for the year	-	107,809,806	107,809,806
Balance as at 31 March 2020	1,108,866,840	(5,324,495)	1,103,542,345

The accounting policies and notes on pages 82 to 118 form an integral part of these financial statements.

Statement of Cash Flows

Year ended 31 March 2020	Note	Group		Company	
		2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Cash Flows from/(used in) Operating Activities					
Profit before Tax		52,332,361	259,081,070	107,809,806	116,862,939
Adjustments for					
Depreciation		69,903,769	74,291,217	-	-
Amortization of intangible assets	13	1,487,935	1,202,429	-	-
Depreciation of Right of Use assets	11	9,976,499	-	-	-
Finance Cost	6.1	10,553,991	2,299,884	-	-
Finance Income	6.2	(58,366,964)	(55,116,864)	-	-
Profit on Disposal of Property, Plant and Equipment		(844,618)	(5,930,434)	-	-
Provision for Defined Benefit Obligation	20	3,941,590	4,013,542	-	-
Operating Profit/(Loss) before Working Capital Changes		88,984,564	279,840,844	107,809,806	116,862,939
(Increase)/Decrease in Inventories		(1,221,355)	636,689	-	-
(Increase)/Decrease in Trade and Other Receivables and Prepayments		23,824,494	(14,911,886)	2,838,517	(6,424,404)
Increase/(Decrease) in Trade and Other Payables and Contract Liabilities		(30,713,286)	4,533,635	969,954	278,431
Cash Generated from/(used in) Operations		80,874,417	270,099,282	111,618,277	110,716,966
Finance Cost paid	6.1	(7,763,168)	(2,299,884)	-	-
Defined Benefit Obligation paid	20	(1,721,754)	(1,937,430)	-	-
Income Tax paid		(35,845,659)	(46,300,326)	-	-
Net Cash from/(used in) Operating Activities		35,543,835	219,561,642	111,618,277	110,716,966
Cash Flows from/(used in) Investing Activities					
Proceeds from Disposal of Property Plant and Equipment		1,552,346	7,173,646	-	-
Acquisition of Property, Plant and Equipment	10	(62,327,912)	(47,746,913)	-	-
Acquisition of Intangible Assets	13	(2,387,442)	(605,750)	-	-
Investment in Fixed deposits		(364,467,000)	(252,101,592)	-	-
Withdrawal of Fixed Deposits		281,967,000	141,820,622	-	-
Finance Income Received		57,016,267	50,618,709	-	-
Net Cash from/(used in) Investing Activities		(88,646,741)	(100,841,279)	-	-
Cash Flows from/(used in) Financing Activities					
Proceeds from Bank Loans	14	178,000,000	-	-	-
Repayment of Bank loans	14	(10,927,362)	-	-	-
Principal Payments under lease liabilities	14	(5,431,876)	(4,841,417)	-	-
Dividend Paid	9.2	(110,886,684)	(110,886,684)	(110,886,684)	(110,886,684)
Net Cash from/(used in) Financing Activities		50,754,078	(115,728,101)	(110,886,684)	(110,886,684)
Net Increase/(Decrease) in Cash and Cash Equivalents		(2,348,828)	2,992,263	731,593	(169,718)
Cash and Cash Equivalents at the beginning of the year		18,114,515	15,122,252	298,392	468,110
Cash and Cash Equivalents at the end of the year	18	15,765,686	18,114,515	1,029,985	298,392

The accounting policies and notes on pages 82 to 118 form an integral part of these financial statements.

Notes to the Financial Statements

Year ended 31 March 2020

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 29, West 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. There are no any other operations were carried out by the Company during the year.

The consolidated financial statements of The Fortress Resorts PLC and its subsidiaries (collectively, the Group) for the year ended 31 March 2020 were authorized for issue in accordance with a resolution of the directors on 09 June 2020.

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 consolidated financial statements provide comparative information in respect of the previous year. 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 16; Leases using modified retrospective approach during the year (See note 2.4).

2.1.1 Effect of COVID 19 on the Business and Operations of the Group and Going Concern

A. Going Concern

The Board of Directors has made an assessment of the Group's ability to continue as a going concern considering all the current internal and external environmental factors including the business impact of the overall tourism industry decline due to the impact of Covid-19 pandemic and they do not intend either to liquidate or to cease trading. The board of directors have decided to close the hotel for the business with effect from 01 April to 31 May 2020 due to the Covid19 and reopen for the business again from 01 June 2020 onwards.

Even though the Hotel's key performance indicators were at significantly lower level in the month of March 2020, the management believes that the situation is solely due to the cancellation of bookings due to the Covid-19. The Management is being negotiated with travel agents to pick up the business once the global pandemic is managed and success in attracting tourists from latter part of the year. The Board believes that Group's resources including Rs. 685,859,757/- of cash and short-term deposits and Rs. 52,000,000/- of unutilised borrowings are adequate to carry out the operations for foreseeable future. Board of Directors are of the view that there is no material uncertainty about the Group's ability to continue as going concern.

B. Effect of COVID 19 on the Business and Operations

A new business risk factor has now been emerged and which is very highly sensitive to the tourism, travel trade and hotel industry during the financial year 2020/2021. Various travel restrictions have now been imposed by almost all the countries in the world due to "COVID 19" pandemic.

Most of the countries are fully or partially on lock down at the moment and with that any kind of travelling has been fully or partially ceased. Most of the major Air Line operators are not operating or scale down their level of operation only for the essential travels. Most of the main Air Ports in the world not functioning or scale down their operations in order to help the combating with the present pandemic situation. Due to these conditions, the Group expects to have a significant drop in the Hotel's occupancy for the ensuing year.

The Board of Directors believe that first quarter of the 2020 / 2021 financial year is very crucial for the Group and

tourism business in Sri Lanka and all most all the hotels are facing a severe business risk of no guests occupying the hotels due to the present ongoing pandemic situation. Further, Management expects for some local business coming after Sri Lankan government releasing its travel restrictions within the country and with that the Group hope for some local high-end holiday makers will start making bookings latter part of the year.

The Group's healthy short-term deposits and cash position including unutilised borrowings will help for the smooth operation of the hotel without having any guests occupying the hotel for next couple of years without any financial issues. During this slack period the hotel management has already planned to cut down or minimize the operating cost in order to maintain healthy cash flow status further.

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 SLFRS 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 2020. 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

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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 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	2020	2019	Nature of the Operations
Direct holding			
La Forteresse (Private) Limited	100%	100%	Operation of Small Luxury Hotel
Indirect holding			
Summer Season Mirissa (Pvt) Ltd	99.99%	99.99%	Operations not yet commenced

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.

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

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 are occupied on daily basis and food and beverage and other hotel related revenues are accounted at the point of sale.

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 amounts 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% (2019:14%) under the Inland Revenue Act No. 24 of 2017 and amendments thereto. Up to the 31 December 2019, the interest income was taxed at 14% and with effect from 01 January 2020 interest income is taxed at 24%.

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

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

2.3.7 Leases

Accounting policy applied up to 31 March 2019

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.

Accounting policy applied from 1 April 2019

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

ii) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

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In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Group's lease liabilities are included in Interest-bearing loans and borrowings.

iii) Short-term leases and leases of low-value assets

The Group does not apply the 'short-term lease' and 'lease of low-value assets' recognition exemptions during the year for any lease contracts.

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 180 days.

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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.

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 cash equivalents

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. A defined benefit plan is a post-employment benefit plan other than a defined contribution 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 2020 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.

2.3.17 Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received, and all attached conditions will be complied with.

The Group has received an interest subsidy of 75% on the Working capital loan obtained under the 'Working capital loan scheme proposed by the Government to strengthen the tourism industry affected by the Easter Sunday Terror Attack'. Under this scheme the Group has obtained 178 Mn loan from Bank of Ceylon and 75% said interest will be reimbursed to the bank by the Central Bank of Sri Lanka.

Resulting Grant is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed.

2.4 Changes in Accounting Policies and Disclosures

The Group applied SLFRS 16; Leases for the first time. The nature and effect of the changes as a result of adoption of this new accounting standard is described below.

Several other amendments and interpretations apply for the first time in 2020, but do not have an impact on the consolidated financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

SLFRS 16 Leases

SLFRS 16 supersedes LKAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the statement of financial position.

The Group adopted SLFRS 16 using the modified retrospective method of adoption, with the date of initial application of 1 April 2019. The Group elected to use the transition practical expedient to not reassess whether a contract is, or contains, a lease at 1 April 2019. Instead, the Group applied the standard only to contracts that

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were previously identified as leases applying LKAS 17 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases), and lease contracts for which the underlying asset is of low value (low-value assets). However, there were no any short-term leases or low value leases were identified.

The Group has lease contracts with Sri Lanka Tourism Development Authority (SLTDA) and Board of Investments of Sri Lanka (BOI) for lands and a lease of motor vehicles form Bank of Ceylon used in its operations. Leases of lands have lease terms between 30 to 45 years, while motor vehicles have lease terms of 5 years. The Group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased assets.

The effect of adopting SLFRS 16 is, as follows:

Measurement of Right of Use Assets	01 April 2019 Rs.
Initial Recognitions	
Land lease commitments recognized as Right of Use assets (Note A)	49,485,634
Transfers from Property, Plant and Equipment	
Motor Vehicles carried under Finance leases at 01 April 2019 (Note B)	13,561,126
Right of Use assets at 01 April 2019	63,046,760
Measurement of lease liabilities	
On initial recognition of land leases	49,485,634
Obligations under Finance leases of Motor Vehicles at 01 April 2019	17,168,895
Lease liability recognized as at 1 April 2019	66,654,529
Of which are:	
Current lease liabilities	5,431,879
Non-current lease liabilities	61,222,650
	66,654,529

Note A - On adoption of SLFRS 16, the group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 April 2019. The Group's incremental borrowing rate applied to

the lease liabilities on 1 April 2019 was 12%. There were no lease rentals paid in advance at the date of transition and no variable lease rentals.

Note B - For Motor vehicle leases previously classified as finance leases the Group recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application.

Presentation of Financial Statements

Right-of-use assets were recognised and presented separately in the statement of financial position. Lease Motor Vehicles recognised previously under finance leases, which were included under 'Property, plant and equipment', were derecognised.

Additional lease liabilities were recognised and included under Interest bearing loans and borrowings.

There is no impact to the comparative statement of profit or loss, cash flows and earnings per share as the Group has adopted the SLFRS 16 using Modified retrospectives approach.

2.5 New and Amended Standards and Interpretations

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

SLFRS 17 Insurance Contracts

SLFRS 17; Insurance Contracts, is issued by the CA Sri Lanka and up to the date of issuance of the Group financial statements that standard is not effective. SLFRS 17 is effective from 01 January 2021. However, the adoption of SLFRS 17 does not expecting to have an impact on the Group financial statements.

Amendments to SLFRS 3: Definition of a Business

The Institute of Chartered Accountants of Sri Lanka issued amendments to the definition of a business in SLFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is

substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test.

Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to LKAS 1 and LKAS 8: Definition of Material

The Institute of Chartered Accountants of Sri Lanka issued amendments to LKAS 1 Presentation of Financial Statements and LKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'

The amendments to the definition of material is not expected to have a significant impact on the Group's consolidated financial statements.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

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

- Financial risk management and policies Note 27
- Sensitivity analyses disclosures Note 27
- Capital management Note 27

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 judgment 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. 66,793,378/- (2019- Rs. 60,266,137/-). These losses relate to The Fortress Resort PLC that has a history of losses. A deferred tax asset of Rs. 9,351,073/- (2019 -Rs. 8,437,259/-) 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 8.5.

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.

Notes to the Financial Statements

Year ended 31 March 2020

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 20.

Provision for expected credit losses of trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns. Management considered 100% ECL for debtors aged more than 180 days in determining the provision matrix for ECL.

The provision matrix is initially based on the Group's historical observed default rates. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed. The Group has considered the current decline in the tourism industry due to the impact of Covid19 Pandemic in determining the provisioning under ECL. The Management has monitored the effect of the global economic downturn to its travel agents through frequent discussion with them and based on the financial strength and negotiated the payment terms and future arrangements accordingly. More than 70% of above receivables are due from well-established foreign travel agents and the dues are still within the credit period. Travel agents have agreed to release the payments on due dates. More than 25% of the receivables are due from local travel agreements and most of the dues have been settled subsequently.

Leases - Estimating the incremental borrowing rate for discounting land lease commitments

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and making certain entity-specific adjustments based on the type, terms and conditions of the lease.

4. REVENUE

	Group		Company	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Revenue from contracts with customers (Note 4.1)	489,320,003	787,787,516	-	-
Dividend Income	-	-	114,036,228	122,808,245
	489,320,003	787,787,516	114,036,228	122,808,245

4.1 Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods and services over time/the period of stay and at a point in time in the following major categories.

	Group		Company	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Over time/period of stay				
Room Revenue	282,170,232	473,990,944	-	-
Rental Income	3,614,238	2,191,304	-	-
At a point in time				
Food Revenue	122,304,631	185,797,966	-	-
Beverage Revenue	45,294,492	72,049,395	-	-
Spa Revenue	16,541,151	23,873,762	-	-
Laundry Income	3,812,028	3,457,499	-	-
Transport Income	3,800,253	4,153,255	-	-
Excursions Income	2,765,404	7,677,637	-	-
Boutique Income	2,014,731	3,640,996	-	-
Wedding income	2,490,078	5,052,357	-	-
Income from other hotel operations	4,512,764	5,902,401	-	-
	489,320,003	787,787,516	-	-

Contract liabilities and its movement is disclosed in Note 22 to the financial statements.

5. OTHER INCOME AND GAINS

	Group		Company	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Profit on Disposal of Property, Plant and Equipment	844,618	5,930,434	-	-
	844,618	5,930,434	-	-

Notes to the Financial Statements

Year ended 31 March 2020

6. FINANCE COST AND INCOME

	Group		Company	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
6.1 Finance Cost				
Interest Expense on Bank Overdrafts	72,667	6,077	-	-
Finance Charges on Lease Liabilities	7,791,462	2,293,807	-	-
Interest Expense on Bank Loans net of interest subsidy	2,689,862	-	-	-
	10,553,991	2,299,884	-	-
6.2 Finance Income				
Interest Income from Term Deposits	58,366,964	55,116,864	-	-
	58,366,964	55,116,864	-	-

7. PROFIT BEFORE TAX

	Group		Company	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Stated after Charging				
Included in Cost of Sales				
Employees Benefits including the following	62,364,161	58,044,263	-	-
- Defined Benefit Plan Cost - Gratuity (included in Employee Benefits)	714,721	832,653	-	-
- Defined Contribution Plan Cost - EPF and ETF (included in Employee Benefits)	7,932,736	7,686,287	-	-
Depreciation	2,402,536	2,855,839	-	-
Raw Materials and Consumables used	70,635,465	108,676,417		
Included in Administrative Expense				
Employees Benefits including the following	78,080,238	107,612,820	-	-
- Defined Benefit Plan Cost - Gratuity (included in Employee Benefits)	3,226,870	3,180,889	-	-
- Defined Contribution Plan Cost - EPF and ETF (included in Employee Benefits)	6,956,442	9,624,823	-	-
Depreciation	67,501,233	71,435,379	-	-
Amortization of Intangible Assets	1,487,935	1,202,430	-	-
Audit Fees	890,000	880,000	210,000	210,000
Charity and Donations	127,995	142,876	-	-
Land Rent	-	3,272,535	-	-
Amortization of ROU Assets	9,976,499	-	-	-
Maintenance Expenses	20,673,156	32,292,115	-	-
Electricity	26,481,090	30,327,116	-	-
NBT, TDL and Pradeshiya Sabha Tax	14,171,975	33,341,999	-	-
Included in Advertising and Marketing Expenses	-	-		
Advertising	10,798,609	13,659,353	-	-
Sales Promotion Expenses	11,513,800	11,754,099	-	-

8. INCOME TAX EXPENSE

The major components of income tax expense for the years ended 31 March 2020 and 2019 are:

Statement of Profit or Loss	Group		Company	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Current Income Tax				
Current Income Tax Charge (Note 8.1)	5,077,841	31,070,602	-	-
Dividend Tax	15,965,069	17,193,154	-	-
Adjustments in respect of current income tax of previous year	775,808	(1,594,715)	-	-
	21,818,718	46,669,041	-	-
Deferred Tax				
Relating to origination and reversal of temporary differences (Note 8.4)	3,133,036	2,891,113	-	-
Income tax expense reported in the Statement of Profit or Loss	24,951,754	49,560,154	-	-
Statement of Other Comprehensive Income (OCI)				
Deferred tax related to items recognized in OCI during in the year:				
On actuarial gains and losses	(311,134)	71,670	-	-
Deferred tax charged to OCI	(311,134)	71,670	-	-

8.1 Taxable profit or loss from the business is as follows;

Taxable Profit/(Loss) from Business				
Profit/(loss) from the business	(25,363,768)	166,816,008	(6,226,422)	(5,945,306)
Interest income	58,366,964	55,116,864	-	-
Taxable profit/(loss)	33,003,196	221,932,872	(6,226,422)	(5,945,306)
* Income Tax @ 14% (2019 @ 14%)	3,980,096	31,070,602	-	-
* Income Tax on interest income @ 24% (2019 @ 14%)	1,097,746	-	-	-
Current Income Tax Charge	5,077,841	31,070,602	-	-

* Up to 31 December 2019, the taxable income of the La Foreteresse (Pvt) Ltd consists predominantly conducting promotion of Tourism business and accordingly it was taxed at the rate of 14%.

* From 01 January 2020, the taxable income from promotion of Tourism business is taxed at the rate of 14% and the taxable income other than tourism business is taxed at the rate of 24% .

Notes to the Financial Statements

Year ended 31 March 2020

8. INCOME TAX EXPENSE (Contd...)

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

	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Profit before income tax expenses	52,332,361	259,081,070	107,809,806	116,862,939
Tax at statutory income tax rate of 14%	7,326,530	36,271,350	15,093,373	16,360,811
Tax at statutory income tax rate of 24%	1,097,746	-	-	-
Dividend income exempted from tax	-	-	(15,965,072)	(17,193,154)
Tax on dividends paid by subsidiary	15,965,069	17,193,154	-	-
Amounts disallowed for income tax purposes				
Gratuity	310,777	290,656	-	-
Profit or loss from disposal of property, plant and equipment	99,082	(830,261)	-	-
Donations	17,919	20,003	-	-
Tax losses of Group companies	913,814	987,927	-	-
Other allowable/disallowable items for tax purpose	890,569	(802,105)	-	-
Adjustments in respect of current income tax of previous years	775,808	(1,594,715)	-	-
Utilization of tax losses	(2,445,560)	-	-	-
Income tax expense reported in the Statement of Profit or Loss	24,951,754	51,536,009	-	-

8.3 Tax Losses Utilized

Tax Losses Brought Forward	60,266,137	53,209,516	59,154,822	53,209,516
Loss Incurred during the year	(6,527,241)	7,056,622	6,226,422	5,945,306
Tax Losses Carried Forward	53,738,897	60,266,137	65,381,244	59,154,822

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.

8.4 Deferred Tax - Group

	Statement of Financial Position		Statement of Profit or Loss	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Deferred Tax Liability				
Capital Allowances for Tax purpose	50,739,035	46,606,349	4,132,687	3,181,769
	50,739,035	46,606,349	4,132,687	3,181,769
Deferred Tax Assets				
Retirement Benefit Obligation				
- Through Income Statement	(2,444,261)	(2,133,484)	(310,777)	(290,656)
Retirement Benefit Obligation				
- Through Other Comprehensive Income	51,587	(259,547)	-	-
ROU Assets and Related Lease Liabilities	(688,873)	-	(688,873)	-
	(3,081,548)	(2,393,031)	(999,651)	(290,656)
Deferred Taxation Charge/(Reversal)			3,133,036	2,891,113
Net Deferred Tax Liability	47,657,488	44,213,317		

8.4.1 Reconciliation of Deferred Tax Charge / (Reversal)

Deferred Tax Charge reported in the Statement of Profit or Loss	3,133,036	2,891,113
Deferred Tax Charge reported in Other Comprehensive Income	311,134	(71,670)
	3,444,170	2,819,443

- 8.5** The Fortress Resorts PLC has a tax loss amounting to Rs. 65,381,244/- (2019 - Rs. 59,154,822/-) which is available 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. 9,153,374/- (2019 - Rs.8,281,675/-) has not been recognized 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 realize in the foreseeable future.

Notes to the Financial Statements

Year ended 31 March 2020

9.1 Basic/Diluted Earnings Per Share

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

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

	Group		Company	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Amounts used as the Numerator				
Profit attributable to ordinary shareholders for basic earnings per share	27,380,606	209,520,916	107,809,806	116,862,939

	Group		Company	
	2020 Number	2019 Number	2020 Number	2019 Number
Number of Ordinary Shares Used as the Denominator				
Weighted average number of ordinary shares applicable to basic earnings per share	110,886,684	110,886,684	110,886,684	110,886,684
Earnings per share (Rs.)	0.25	1.89	0.97	1.05

9.2 Dividend Per Share - Group/Company

	2020 Rs.	2019 Rs.
Dividend paid during the year	110,886,684	110,886,684
Dividend per share (Rs.)	1.00	1.00

10. PROPERTY, PLANT AND EQUIPMENT - GROUP

10.1 Gross Carrying Amounts

	Balance As at 01.04.2019 Rs.	Additions/ Transfers Rs.	Disposals/ Transfers Rs.	Balance As at 31.03.2020 Rs.
At Cost				
Land	359,721,000	-	-	359,721,000
Buildings on Leasehold Land - Hotel	940,938,140	1,949,700	-	942,887,840
- Administration	50,497,404	18,086,304	-	68,583,708
Plant and Other Equipment	18,484,249	1,417,000	-	19,901,249
Furniture and Fittings	179,149,192	20,349,999	(2,910,330)	196,588,861
Fixtures and Fittings	78,851,347	15,277,297	(1,335,115)	92,793,529
Computer Equipment	27,638,544	4,338,743	(789,250)	31,188,037
Telephone Equipment	3,310,419	35,200	(4,900)	3,340,719
Kitchen Equipment	56,264,681	324,300	(381,990)	56,206,991
Electrical Equipment	162,045,369	4,496,055	(1,748,434)	164,792,990
Linen and Furnishing	19,245,683	109,903	(3,099,275)	16,256,311
Cutlery and Crockery	4,787,713	-	(1,386,221)	3,401,492
Other Equipment	16,887,757	534,478	(2,279,496)	15,142,739
Air conditioners	13,294,701	137,910	(217,628)	13,214,983
Motor Vehicles	44,773,312	-	-	44,773,312
	1,975,889,511	67,056,889	(14,152,640)	2,028,793,760
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	2,007,616,100	67,056,889	(45,879,229)	2,028,793,760

Notes to the Financial Statements

Year ended 31 March 2020

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

10.2 Depreciation

	Balance As at 01.04.2019 Rs.	Charge for the year/ Transfers Rs.	Disposals/ Transfers Rs.	Balance As at 31.03.2020 Rs.
At Cost				
Buildings on Leasehold Land - Hotel	216,446,127	27,989,544	-	244,435,671
- Administration	12,725,804	1,912,236	-	14,638,041
Plant and Equipment	17,021,550	360,607	-	17,382,156
Furniture and Fittings	113,593,238	10,328,847	(2,907,917)	121,014,168
Fixtures and Fittings	44,731,844	5,977,685	(1,203,180)	49,506,349
Computer Equipment	22,321,628	2,882,547	(789,250)	24,414,925
Telephone Equipment	2,249,214	402,804	(4,260)	2,647,757
Kitchen Equipment	51,473,785	2,068,903	(423,990)	53,118,698
Electrical Equipment	108,062,464	8,212,138	(1,734,330)	114,540,272
Linen and Furnishing	9,980,595	4,149,859	(2,667,038)	11,463,416
Cutlery and Crockery	4,122,528	333,634	(1,228,005)	3,228,158
Other Equipment	15,972,391	472,634	(2,269,315)	14,175,711
Air conditioners	9,573,546	1,087,189	(217,628)	10,443,107
Motor Vehicles	22,129,735	3,725,144	-	25,854,880
	650,404,449	69,903,769	(13,444,912)	706,863,307
Assets on Finance Leases				
Motor Vehicles	13,436,487	-	(13,436,487)	-
	13,436,487	-	(13,436,487)	-
Total Depreciation	663,840,936	69,903,769	(26,881,399)	706,863,307

10.3 Net Book Values

	2020 Rs.	2019 Rs.
At Cost		
Land	359,721,000	359,721,000
Buildings on Leasehold Land - Hotel	698,452,169	724,492,013
- Administration	53,945,667	37,771,600
Plant and Equipment	2,519,093	1,462,699
Furniture and Fittings	75,574,693	65,555,954
Fixtures and Fittings	43,287,181	34,119,503
Computer Equipment	6,773,112	5,316,916
Telephone Equipment	692,962	1,061,205
Kitchen Equipment	3,088,293	4,790,896
Electrical Equipment	50,252,718	53,982,905
Linen and Furnishing	4,792,895	9,265,088
Cutlery and Crockery	173,335	665,185
Other Equipment	967,028	915,366
Air conditioners	2,771,876	3,721,155
Motor Vehicles	18,918,433	22,643,577
	1,321,930,454	1,325,485,061
Assets on Finance Leases		
Motor Vehicles	-	13,561,126
Constructions in Progress		
Buildings	-	4,728,977
Total Carrying Amount of Property, Plant and Equipment	1,321,930,454	1,343,775,164

- 10.4** During the financial year, the Group acquired property, plant and equipment to the aggregate value of Rs. 62,327,912/- (2019 - Rs. 47,746,913/-). Cash payments amounting to Rs. 62,327,912/- (2019 - Rs. 47,746,913/-) were made during the year for purchase of Property, Plant and Equipment.

Notes to the Financial Statements

Year ended 31 March 2020

11. RIGHT OF USE ASSETS - GROUP/COMPANY

	2020 Rs.	2019 Rs.
Leasehold Lands	47,355,933	-
Leasehold Motor Vehicles	5,714,328	-
	53,070,261	-

The Group has lease contracts with Sri Lanka Tourism Development Authority (SLTDA) and Board of Investments of Sri Lanka (BOI) for lands and a lease of motor vehicles from Bank of Ceylon used in its guest transport services.

11.1 Nature of the property

	Lessor	No of Buildings	Lease Term	Annual Rental 2020 Rs.	Annual Rental 2019 Rs.
Lease hold lands					
Hotel Building	SLTDA	1	2005 - 2045	2,338,356	2,338,356
Administration Building	BOI	2	2005 - 2035	265,734	265,734
Organic Garden	BOI	1	2014 - 2064	453,200	453,200
Driver Quarters	Other	1	2014 - 2064	240,000	240,000
				3,297,290	3,297,290
Other Assets					
Motor Vehicles	Bank of Ceylon		2017 - 2021	7,135,224	7,135,224
Total lease rentals				10,432,514	10,432,514

11.2 Set out below are the carrying amounts of right-of-use assets recognized and the movements during the year

	Lands Rs.	Motor Vehicles Rs.	Total Rs.
Additions as Initial recognition of right of use assets	49,485,634	-	49,485,634
Transferred from property, plant and equipment	-	13,561,126	13,561,126
Total at the date of transition, 01 April 2019	49,485,634	13,561,126	63,046,760
Depreciation expenses	(2,129,701)	(7,846,798)	(9,976,499)
As at 31 March 2020	47,355,933	5,714,328	53,070,261

11.3 The following are the amounts recognized in profit or loss in respect of ROU Assets:

	2020 Rs.	2019 Rs.
Depreciation expense of right-of-use assets	9,976,499	-
Interest expense on lease liabilities	7,791,462	-
Total amount recognized in profit or loss	17,767,960	-

The Group had total cash outflows for leases of Rs. 10,432,514/- during the year (2019 - Rs. 10,432,514/-). The future cash outflows relating to leases that have not yet commenced are disclosed in Note 24.4.

ROU Assets are depreciated straight line basis over the remaining lease period of the assets.

There are no variable lease payments.

12. INVESTMENT IN SUBSIDIARY - COMPANY

	Holding		Cost	
	2020 %	2019 %	2020 Rs.	2019 Rs.
12.1 Non-Quoted Investments				
La Forteresse (Private) Limited	100%	100%	1,000,009,990	1,000,009,990
			1,000,009,990	1,000,009,990

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

13. INTANGIBLE ASSETS - GROUP

	Balance As at 01.04.2019 Rs.	Additions Rs.	Disposals Rs.	Balance As at 31.03.2020 Rs.
13.1 Cost				
Computer Software	13,866,988	2,387,442	-	16,254,430
	13,866,988	2,387,442	-	16,254,430
13.2 Amortization				
Computer Software	10,452,307	1,487,935	-	11,940,243
	10,452,307	1,487,935	-	11,940,243
13.3 Net Book Values				
			2020 Rs.	2019 Rs.
Computer Software			4,314,188	3,414,681

13.4 Computer Software are amortized over 05 years

Notes to the Financial Statements

Year ended 31 March 2020

14. FINANCIAL LIABILITIES

14.1 Interest Bearing Loans and Borrowings

	Group		Company	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Current Interest Bearing Loans and Borrowings				
Bank Loans (Note 14.1)	67,315,003	-	-	-
Bank Overdrafts (Note 18)	7,663,977	1,833,681	-	-
Obligation Under the Financial Lease (Note 14.2)	-	5,431,879	-	-
Lease Liabilities (Note 14.3)	5,663,641	-	-	-
Total Current Interest Bearing Loans and Borrowings	80,642,622	7,265,560	-	-
Non Current Interest Bearing Loans and Borrowings				
Bank Loans (Note 14.1)	81,099,678	-	-	-
Obligation Under the Financial Lease (Note 14.2)	-	11,737,016	-	-
Lease Liabilities (Note 14.3)	58,349,835	-	-	-
Total Non Current Interest Bearing Loans and Borrowings	139,449,514	11,737,016	-	-

14.1.1 Bank Loans

	2020 Rs.
Bank of Ceylon (BOC) - Working capital loan	
Loans received during the year	178,000,000
Recognition of government grant	(23,813,925)
Interest accrued during the year	5,155,969
Repayments	(10,927,362)
	148,414,682
Current	67,315,003
Non-Current	81,099,678
	148,414,682

BOC - Working Capital Loan

On 28 October 2019, the Group has obtained the above loan under the working capital loan scheme proposed by the government to strengthen the tourism industry affected by the Easter Sunday Terror Attack. An amount of Rs. 178 Mn was granted to the Group through four installments. Under the said scheme 75% of interest subsidy granted to the Group such amount will be reimbursed to the Bank by the Central Bank of Sri Lanka.

Terms and Conditions

Purpose - Working Capital Requirements

Repayment Period - 24 Months (Including 3 Months grace period)

Rate of Interest- 3.46% per annum (Cost to the Group after interest subsidy)

Security- Primary mortgage over the property situated at Habaraduwa, Galle. (Carrying value of the property is Rs. 752 Mn).

Interest expense

The Group has paid its 1st loan installment on 31 March 2020 and the interest income for the period set out below,

	2020 Rs.	2019 Rs.
Interest on working capital loan	6,168,956	-
Setoff with Government grant	(5,155,969)	-
Net interest cost recognized in the statement of profit or loss	1,012,987	-

14.1.2 Finance Leases

	Balance As at 01.04.2019 Rs.	Transferred to Lease Liabilities Note (14.3) Rs.	Balance As at 31.03.2020 Rs.
Bank of Ceylon	20,216,468	(20,216,468)	-
Gross Liability	20,216,468	(20,216,468)	-
Finance Charges allocated to Future periods	(3,047,573)	3,047,573	-
Net Liability	17,168,895	(17,168,895)	-

	2020 Rs.	2019 Rs.
Current	-	5,431,879
Non Current	-	11,737,016
Total	-	17,168,895

Notes to the Financial Statements

Year ended 31 March 2020

14. FINANCIAL LIABILITIES (Contd...)

14.1.3 Lease Liabilities

	Lands Rs.	Motor Vehicles (Note 14.2) Rs.	Total Rs.
At the Beginning of the Year	-	-	-
Reclassified from finance leases	-	17,168,895	17,168,895
Recognition of Right of Use Assets	49,485,634	-	49,485,634
Capital Payments	-	(5,431,876)	(5,431,876)
Interest Accrued on Lease Liabilities	2,790,823	-	2,790,823
As at 31 March 2020	52,276,458	11,737,019	64,013,477
Lease Payments			
Gross Payments	(3,297,290)	(7,135,224)	(10,432,514)
Interest expense recognized as finance expense	6,088,113	1,703,348	7,791,462
Capital Payments	2,790,823	(5,431,876)	(2,641,052)
Current	231,762	5,431,879	5,663,641
Non-Current	52,044,695	6,305,140	58,349,835

In the previous year, the group only recognized lease assets and lease liabilities in relation to leases that were classified as 'finance leases' under LKAS 17 Leases (Motor Vehicles). The assets were presented in property, plant and equipment and the respective lease liabilities as part of the Group's borrowings. For adjustments recognized on adoption of SLFRS 16 on 1 April 2019, please refer to note 2.4.

Lease liabilities are effectively secured as the rights to the leased assets recognized in the financial statements relevant to the lessor in the event of default.

Notes 2.4, 11 and 23.3 provides the details of the above leases liabilities.

14.3 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. Fair value of the bank loans are approximates to its carrying value as the loan is provided at fixed market rate.

15. INVENTORIES - GROUP

	2020 Rs.	2019 Rs.
Food and Beverages	6,866,575	8,361,728
House Keeping and Maintenance	10,413,722	7,056,916
Stationary, Consumables and Others	5,059,849	5,700,147
	22,340,146	21,118,791

Even though the Group has closed the Hotel in the last week of the March due to the Covid-19 pandemic, no provision is recognized on above inventory items as they are recognized as non-expiry items.

16. TRADE AND OTHER RECEIVABLES - GROUP

	Group		Company	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Trade Receivables	26,524,627	57,703,022	-	-
Other Receivables - Related Parties (Note 16.1)	-	-	104,500,049	107,338,566
Other Receivables - Other	7,471,071	328,175	-	-
	33,995,698	58,031,197	104,500,049	107,338,566

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

	Total Rs.	Neither past due or nor Impaired Rs.	Past due but not impaired				
			< 30 days Rs.	31 - 60 days Rs.	61 - 90 days Rs.	91 - 120 days Rs.	> 120 days Rs.
2020	26,524,627	20,256,958	6,267,669	-	-	-	-
2019	57,703,022	48,182,969	9,520,053	-	-	-	-

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 180 days in determining the provision matrix for ECL.
- The Group has considered the current decline in the tourism industry due to the impact of Covid19 Pandemic. The Management has monitored the effect of the global economic downturn to its travel agents through frequent discussions with them and based on the financial strength and negotiated the payment terms and future arrangements accordingly. More than 70% of above receivables are due from well established foreign travel agents and the dues are still within the credit period. Travel agents have agreed to release the payments on due dates. More than 25% of the receivables are due from local travel agents and most of the dues have been settled subsequently.
- Refer Note 27 on credit risk of Trade Receivables, which discuss how the Group measure credit quality of Trade Receivables that are neither past due nor impairment.

16.1 Other Receivables - Related Parties

Company	Relationship	2020 Rs.	2019 Rs.
La Forteresse (Private) Limited	Subsidiary Company	104,500,049	107,338,566

Outstanding receivable balance is represents the final dividends receivable from the La Forteresse (Pvt) Ltd and which is non interest bearable and expected to settle within one year. Note 25.1 provide the movement of the receivable balance.

Notes to the Financial Statements

Year ended 31 March 2020

17. SHORT TERM DEPOSITS - GROUP

	2020 Rs.	2019 Rs.
Investments in Fixed Deposits (Note 17.1)	662,430,133	578,579,436

17.1 Investment in fixed deposits at amortized cost

LB Finance PLC	305,499,298	112,655,327
Vallible Finance PLC	343,851,233	453,933,300
Bank of Ceylon	13,079,601	11,990,808
	662,430,133	578,579,436

No provision is recognized based on the expected credit loss (ECL) calculation as the required provision under ECL is immaterial to the Consolidated financial statements.

18. CASH AND CASH EQUIVALENTS IN THE CASH FLOW STATEMENT

Components of Cash and Cash Equivalents

	Group		Company	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Favorable Cash and Cash Equivalent Balances				
Cash and Bank Balances	23,429,664	19,948,196	1,029,985	298,392
	23,429,664	19,948,196	1,029,985	298,392
Unfavorable Cash and Cash Equivalent Balances				
Bank Overdraft	(7,663,977)	(1,833,681)	-	-
Total Cash and Cash Equivalents for the Purpose of Cash Flow Statement	15,765,686	18,114,515	1,029,985	298,392

The bank overdrafts are secured by a portion of the Group's short-term deposits with Bank of Ceylon.

19. STATED CAPITAL - COMPANY/ GROUP

	2020		2019	
	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

20. RETIREMENT BENEFIT OBLIGATION - GROUP

	2020 Rs.	2019 Rs.
Defined Benefit Obligation - Gratuity		
Balance at 1 April	17,093,080	14,505,038
Current Service Cost	2,146,817	2,417,988
Interest Cost	1,794,773	1,595,554
Actuarial (Gain) / Loss	(2,222,389)	511,930
Benefits paid	(1,721,754)	(1,937,430)
Balance at 31 March	17,090,528	17,093,080

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

	2020 Rs.	2019 Rs.
Cost of Sales	714,721	832,653
Administrative Expenses	3,226,869	3,180,889
Other Comprehensive Income	(2,222,389)	511,930
	1,719,202	3,981,306

20.1 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.

20.2 The principle assumptions used were as follows,

	2020	2019
Discount Rate	10.5%	12%
Future Salary Increment Rate	5%	9%

20.3 Sensitivity of the principal assumptions used

	Expected Future Salaries		Discount Rate	
	1% increase Rs.	1% decrease Rs.	1% increase Rs.	1% decrease Rs.
2020				
Change in Present value of Defined Benefit Obligation	1,348,561	(1,216,427)	(1,087,878)	1,220,048
2019				
Change in Present value of Defined Benefit Obligation	1,665,891	(1,473,794)	(1,363,569)	1,560,645

20.4 The average duration of the defined benefit plan obligation at the end of the reporting period is 8 years (2019 - 9 Years).

Notes to the Financial Statements

Year ended 31 March 2020

21. TRADE AND OTHER PAYABLES

	Group		Company	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Trade Creditors	26,256,114	26,952,802	-	-
Other Payables	27,773,957	36,313,523	-	-
Accrued Expenses	8,296,220	7,786,990	1,997,679	1,027,725
	62,326,290	71,053,315	1,997,679	1,027,725

Terms and Conditions of the above financial liabilities

- Trade and Other Payables are non-interest bearing
- Trade Payables are normally settled on 30 - 120 day terms.

22. CONTRACT LIABILITIES

	Group	
	2020 Rs.	2019 Rs.
Advances received for future bookings	23,492,298	45,478,559
Opening Balance	45,478,559	40,952,208
Advance received during the year	238,548,276	403,447,131
Refunds due to cancellation of bookings	(9,624,971)	-
Setoff against the receivables	(250,909,566)	(398,920,781)
Closing Balance	23,492,298	45,478,559

The Group has lost several booking during the Month of February and March 2020 due to the worldwide outbreak of Covid-19; Coronavirus and in the previous year due to the Easter Sunday terrorist attacks.

23. GOVERNMENT GRANTS

	Group	
	2020 Rs.	2019 Rs.
Recognized during the year	23,813,925	-
Setoff against interest expenses during the year	(5,155,969)	-
Closing balance	18,657,956	-
Current	14,315,361	-
Non-Current	4,342,595	-

Refer note 14.1.1 for the details, terms and condition of the bank borrowings and government grant.

24. COMMITMENTS AND CONTINGENCIES

24.1 Capital Expenditure Commitments

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

24.2 Contingent Liabilities

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

24.3 Lease commitments - Group as lessee

Land Lease

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 lease period for further 10 years if the Group is wishes to do so. Lease rentals are paid on monthly basis and rent is been revised for every five year intervals as per the agreement. The hotel service building is situated in a land belongs to BOI and entered in to a similar agreement with them starting from 28 January 2005 and ends on 27 January 2035. Rentals are been prefixed for the entire period and paid on yearly basis. Both leases of lands used to organic garden and diver quarters are starting from 2014 and ends on 2064.

Motor Vehicle Lease

The Group has been acquired two Motor Vehicles for guest transport purpose from Bank of Ceylon in January 2017 for five year lease period.

24.4 Future minimum lease payments under land and motor vehicle leases with the present value of the net minimum lease payments are, as follows:

	2020		2019	
	Minimum payments Rs.	Present value of payments (Note 14.1.3) Rs.	Minimum payments Rs.	Present value of payments (Note 14.1.2) Rs.
Within one year	11,268,756	3,814,841	7,135,224	5,431,879
After one year but not more than five years	23,348,344	(5,509,393)	13,081,244	11,737,016
More than five years	228,506,047	65,708,029	-	-
Total minimum lease payments	263,123,148	64,013,477	20,216,468	17,168,895
Less amounts representing finance charges	(199,109,670)	-	(3,047,573)	-
Present value of minimum lease payments	64,013,477	64,013,477	17,168,895	17,168,895

Notes to the Financial Statements

Year ended 31 March 2020

25. RELATED PARTY DISCLOSURES

Details of significant related party disclosures are as follows:

25.1 Transactions with the Parent and Related Entities

	Subsidiaries	
	2020 Rs.	2019 Rs.
As at 1 April	107,338,566	100,914,162
Recurring related party transactions		
Settlements during the year	(110,700,000)	(110,500,000)
Expenses Incurred on behalf of the Company	(6,174,745)	(5,883,841)
Dividends	114,036,228	122,808,245
As at 31 March	104,500,049	107,338,566
Included in		
Trade and Other Receivables	104,500,049	107,338,566

Outstanding receivable balance is represents the final dividends receivable from the La Forteresse (Pvt) Ltd and which is non interest bearable and expected to settle within one year.

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

25.2 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.

25.2.1 Compensation to Key Management Personnel

	2020 Rs.	2019 Rs.
Nature of transaction		
Short Term Employment Benefits	18,485,740	12,943,641

25.3 Other Related Parties Disclosures

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

			2020	2019
Recurring transactions				
Related Party	Nature	Terms	Rs.	Rs.
LB Finance PLC (Investments on 6 Months and 12 Months FDs as Market Rate)	Investment in Fixed Deposits	Market Terms	292,500,000	110,000,000
	Withdrawal of Fixed Deposits	Market Terms	95,000,000	65,000,000
	Interest Income	Market Terms	15,245,068	4,775,055
	Balance as at 31 March		305,499,298	112,655,327
Vallible Finance PLC (Investments on 6 Months and 12 Months FDs as Market Rate)	Investment in Fixed Deposits	Market Terms	63,000,000	141,000,000
	Withdrawal of Fixed Deposits	Market Terms	178,000,000	76,820,623
	Interest Income	Market Terms	41,741,288	48,904,800
	Balance as at 31 March		343,851,233	453,933,300

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.

26. EVENT OCCURRING AFTER THE REPORTING DATE

The board of directors have decided to close the hotel for the business with effect from 01 April to 31 May 2020 due to the industry decline in the Covid-19 Pandemic and reopen for the business again from 01 June 2020 onwards. In the month of April, 31 room nights were cancelled and refund fully and 127 room nights have been rescheduled to latter part of the year.

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

27. 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 senior management oversees the management of these risks.

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

Market risk

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

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

The sensitivity analyses in the following sections relate to the position as at 31 March in 2020 and 2019.

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 obtained the working capital loans under the specific relief package of which 75% of the interest cost is bearing by the Central Bank of Sri Lanka.

Up to 31 March 2019, the Group did not had any Bank loans.

Notes to the Financial Statements

Year ended 31 March 2020

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Contd...)

Interest rate sensitivity

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

	Increase/decrease in basis points	Effect on profit before tax
2020		
Interest Bearing Loans and Borrowings	+/- 50	+/- 217,345

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

Foreign currency risk

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

Foreign currency sensitivity

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

	Change in GBP/ EURO rate	Effect on profit before tax	Effect on equity
2020	+/- 5%	+/- 423,314	+/- 364,050
2019	+/- 5%	+/- 583,231	+/- 513,243

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 term deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Trade receivables

The Group has established policies, procedures and controls to manage the credit risk of Travel Agents of the Group. The Group carefully evaluating travel agents credentials and credit worthiness prior to contracting with them and as at reporting date more than 70% of the trade receivables are due from well established foreign travel agents and more than 25% is due from well established local travel agents. Risk exposure to receivables from individuals and entities are minimal as it represents less than 1% from the total receivables as at reporting date.

The Group has considered the current decline in the tourism industry due to the impact of Covid19 Pandemic evaluating the credit risk of trade receivables. The Management has monitored the effect of the global economic downturn to its travel agents through frequent discussion with them and based on the financial strength and negotiated the payment terms and future arrangements accordingly. Dues from foreign travel agents and the dues are still within the credit period and those travel agents have agreed to release the payments on due dates. Due from local travel agreements and most of the dues have been settled subsequently.

An impairment analysis is performed at each reporting date using a provision matrix (simplified approach) to measure expected credit losses. The Group has received all the dues within agreed credit period in the past without any delays. The management also considered the local and global economic indicators and the results of negotiations and subsequent cash receipts in determining the provision for impairment.

Liquidity risk

Liquidity risk management used to maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due. The maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, and lease contracts. The Group has access to a sufficient variety of sources of funding and debt maturing within 12 months can be rolled over with existing lenders.

Due to the Easter Sunday terrorist attack and Covid19 outbreak, overall tourism industry declines and affected the operational cash flows of the Group. The Group has negotiated with its key suppliers to extend the credit terms and obtained banking facilities to maintain the cash requirements of the Group. The Government has introduced the working capital loan schemes to tourism industry affected by Easter Sunday terrorist attack and The Group has obtained Rs. 178 Mn loan for operational purpose during the year. 75% of the interest of the working capital loan is bearing by the Central Bank of Sri Lanka.

The Group has Rs. 662,430,133/- of short term deposits, Rs. 23,429,664/- of cash balance and Rs. 52 Mn of undrawn banking facilities as at the reporting date. The Government of Sri Lanka has proposed several concessionary working capital loan schemes as to relief covid-19 pandemic to Hotel industry and Group have not obtained any facility under those schemes and have the access to these Banking facilities at any time.

Excessive risk concentration

Concentrations arise as a number of Hotels are coming and engaged in tourism industry activities in the Group's geographical region and have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions such as Covid19 outbreak elaborated further below. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry. Also the Covid19 pandemic, 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 different customer segments and geographical region to attract many more tourists from those regions. Significant part of the Group customer base was reflected form the foreign tourists and the Group now considering the promoting the Hotel to local customers as well. 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.

Notes to the Financial Statements

Year ended 31 March 2020

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

	On demand Rs.	Less than 3 months Rs.	3 to 12 months Rs.	1 to 5 years Rs.	More than 5 Years Rs.	Total Rs.
Year ended 31 March 2020						
Bank Overdraft	7,663,977	-	-	-	-	7,663,977
Bank Loans	-	32,782,086	98,346,258	35,944,294	-	167,072,638
Lease Liabilities	-	2,614,772	8,653,985	23,348,344	228,506,047	263,123,148
Trade and other payables	-	26,256,114	36,070,177	-	-	62,326,290
	7,663,977	61,652,971	143,070,420	59,292,638	228,506,047	500,186,053
Year ended 31 March 2019						
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	143,890,436	5,351,418	13,081,244	-	93,103,464

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;

- 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
- 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.

	2020 Rs.	2019 Rs.
Interest-bearing loans and borrowings (Note 14)	220,092,136	19,002,576
Trade and other payables (Note 16)	62,326,290	71,053,315
Less: Cash and cash equivalents (Note 18)	(23,429,664)	(19,948,196)
Net debt	258,988,762	70,107,695
Equity	1,771,678,111	1,853,272,935
Total capital	1,771,678,111	1,853,272,935
Capital and net debt	2,030,666,873	1,923,380,630
Gearing ratio	13%	4%

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2020 and 2019.

Ten Year Summery - Group

(Figures in Rs. 000 unless otherwise stated)

Year Ended 31 st March	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
TRADING RESULTS										
Turnover (Gross)	416,345	464,305	577,724	650,526	686,977	672,479	625,422	663,750	787,787	489,320
Profit / (Loss) from operations	248,009	242,304	321,759	350,498	342,861	353,584	266,280	250,358	336,875	144,255
Depreciation and Amortisation	86,950	73,529	107,601	104,259	106,006	106,006	102,924	74,221	75,494	81,368
Interest	75,027	49,521	52,445	39,244	2,795	1,126	405	3,125	2,300	10,554
Profit / (Loss) before Tax	86,032	119,254	161,713	206,995	234,060	246,452	162,951	173,012	259,081	52,332

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	(604,009)	(484,993)	(70,785)	105,893	295,300	371,832	505,655	646,211	744,405	662,810
Other Reserves	124,373	124,373	-	-	-	-	-	-	-	-
Shareholders' Funds / Net Assets	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	1,771,677
Long Term Loans / Deferred Liabilities	492,963	359,832	324,000	45,000	-	-	33,298	22,010	17,169	148,415
Capital Employed	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	1,920,092

ASSETS EMPLOYED

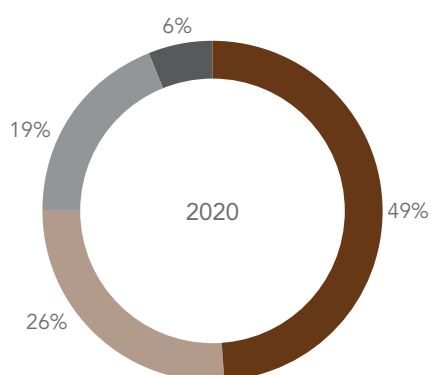
Current Assets	86,247	148,523	304,569	287,758	487,051	666,594	431,189	583,071	716,951	781,680
Current Liabilities	60,781	120,826	126,420	137,295	88,955	110,753	107,756	130,498	137,998	180,777
Working Capital	25,466	27,697	178,149	150,463	398,096	555,841	323,433	452,573	578,953	600,903
Fixed Assets	1,100,504	1,084,262	1,186,146	1,109,437	1,047,266	972,276	1,360,689	1,375,574	1,347,190	1,379,315
Capital Employed	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	1,980,218

RATIO & STATISTICS

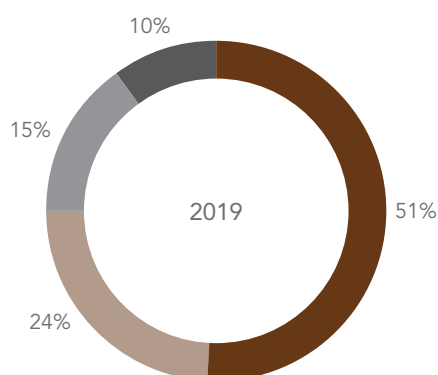
Gearing (%)	44	32	24	4	-	-	2	1	1	7
Current Ratio (times)	1.42	1.23	2.41	2.10	5.48	6.02	4.00	4.47	5.20	4.32
Earnings Per Share (Rs.)	0.76	1.07	1.39	1.59	1.71	1.69	1.22	1.27	1.89	0.25
Net Assets Per Share (Rs.)	5.67	6.75	9.36	10.95	12.66	13.35	14.56	15.83	16.71	15.98
Return On Capital Employed (ROCE) (%)	8	11	12	16	17	16	10	8	11	1.43
Return On Equity (%)	14	16	16	17	17	17	10	8	11	2
Debt to Total Assets (%)	42	29	22	3	-	-	2	1	1	7
Interest Cover (times)	2.15	3.41	4.08	6.27	85	220	402	55	113	6
Earnings Before Interest & Tax (EBIT)	161,059	168,774	214,158	246,239	236,855	247,578	163,356	176,137	261,381	62,887
Asset Turnover (%)	38	43	49	59	66	69	46	43	41	25

Group Value Added Statement

	2020 Rs. 000's	2019 Rs. 000's
Direct economic value generated		
Revenue (including other income)	490,165	793,717
Finance income	58,367	55,117
Proceeds from sale of property, plant & equipment	1,552	7,174
	550,084	856,008
Economic Value distributed		
Operating costs	305,111	391,378
Employee wages and benefits	166,363	189,526
Payments to providers of funds	121,440	113,186
Payments to government	35,990	80,179
	628,904	774,269
Economic value retained	(78,820)	81,739



- 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 of the Company

Ref.	Name	31st March 2020		31st March 2019	
		No of Shares	%	No of Shares	%
01.	M J F Holdings Ltd	28,616,411	25.81	28,616,411	25.81
02.	Vallibel Leisure (Private) Limited	24,417,932	22.02	24,417,932	22.02
03.	Vallibel One PLC	19,977,345	18.02	19,977,345	18.02
04.	Mr. K D D Perera	10,329,317	9.32	10,329,317	9.32
05.	L B Finance PLC	4,051,100	3.65	4,051,100	3.65
06.	Mr. M J Fernando	2,124,400	1.92	2,124,400	1.92
07.	Bank of Ceylon No. 1 Account	1,461,100	1.32	1,461,100	1.32
08.	Seylan Bank PLC/Jayantha Dewage	1,441,400	1.30	1,441,400	1.30
09.	Freudenberg Shipping Agencies Limited	1,275,766	1.15	1,496,000	1.35
10.	Mrs. N U D Ariyaratna	843,483	0.76	843,483	0.76
11.	Mr. M J Fernando	833,333	0.75	833,333	0.75
12.	Mr. D C Fernando	833,333	0.75	833,333	0.75
13.	Mr. A P L Fernando	775,861	0.70	775,861	0.70
14.	Mr. D J de Silva Wijeyeratne	629,128	0.57	471,628	0.43
15.	Dr. D Jayantha	621,000	0.56	26,000	0.02
16.	Seylan Bank PLC/Bertram Manson Amarasekara	550,000	0.50	550,000	0.50
17.	Anverally And Sons (Pvt) Ltd A/C No 01	373,810	0.34	373,810	0.34
18.	Royal Ceramics Lanka PLC	336,100	0.30	336,100	0.30
19.	Motor Service Station (Private) Ltd	333,678	0.30	353,678	0.32
20.	Acuity Partners (Pvt) Limited/ Mr. Arumapurage Peter Lasantha Fernando	332,210	0.30	332,210	0.30
		100,156,707	90.32	99,644,441	89.86
Others		10,729,977	9.68	11,242,243	10.14
		110,886,684	100.00	110,886,684	100.00

Share Distribution

Shareholding as at 31st March 2020

From	To	No of Holders	No of Shares	%
1	1,000	1,278	453,346	0.40
1,001	10,000	594	2,153,932	1.94
10,001	100,000	167	4,655,648	4.20
100,001	1,000,000	30	9,928,987	8.96
Over 1,000,000		9	93,694,771	84.50
		2,078	110,886,684	100.00

Categories of Shareholders

Local Individuals	1,927	25,047,147	22.59
Local Institutions	128	85,508,688	77.11
Foreign Individuals	23	330,849	0.30
Foreign Institutions	-	-	-
	2,078	110,886,684	100.00

Shareholder Information

Directors' and CEO's Shareholding as at 31st March 2020

	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. Merrill J Fernando	2,124,400	1.916
Mr. L N De Silva Wijeyeratne	Nil	-
Mr. Jan P van Twest	Nil	-
Mr. C V Cabraal	Nil	-
Mr. C U Weerawardane	Nil	-
Mr. R E U de Silva	Nil	-
Ms. A A K Amarasinghe (Alternate Director to Mr. Dhammika Perera)	Nil	-
Mr. R. N Malinga (Alternate Director to Malik J Fernando)	Nil	-

Share Prices for the Year

	As at 31/03/2020	As at 31/03/2019
Market price per share		
Highest during the year	Rs.13.20 (04-04-2019)	Rs.11.70 (29-06-2018)
Lowest during the year	Rs.7.80 (13-03-2020)	Rs.8.60 (12-10-2018)
As at end of the year	Rs.7.80	Rs.10.00

Public Holding

The Public Holding percentage – 18.192%

Number of shareholders representing the above percentage – 2,068

The float adjusted market capitalization as at 31st March 2020 – Rs.157,349,275.20

The Float adjusted market capitalization of the Company falls under Option 2 of Rule 7.13.1 (b) of the Listing Rules of the Colombo Stock Exchange and the Company has complied with the minimum public holding requirement applicable under the said option.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Thirty Sixth (36th) Annual General Meeting of the Company will be held at the Auditorium of the L B Finance PLC, Corporate Office, No.20, Dharmapala Mawatha, Colombo 3, on 29th September 2020 at 10.30 a.m. for the following purposes:

1. To receive and consider the Annual Report of the Board of Directors on the affairs of the Company and its subsidiaries and the Statement of Accounts for the year ended 31st March 2020 with the Report of the Auditors thereon.
2. To pass the ordinary resolution set out below to re-appoint Mr. Merrill J Fernando, who is 90 years of age, as a Director of the Company.
"IT IS HEREBY RESOLVED that Mr Merrill J Fernando who has attained the age of 90 years be and is hereby re-elected Director of the Company and it is hereby declared that the age limit of 70 years stipulated in Section 210 of the Companies Act, No.7 of 2007 shall not apply to the said Director."
3. To pass the ordinary resolution set out below to re-appoint Mr L N de S Wijeyeratne, who is 70 years of age, as a Director of the Company.
"IT IS HEREBY RESOLVED that Mr L N de S Wijeyeratne who has attained the age of 70 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 pass the ordinary resolution set out below to re-appoint Mr J A S S Adhihetty, who is 70 years of age, as a Director of the Company.
"IT IS HEREBY RESOLVED that Mr J A S S Adhihetty who has attained the age of 70 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."
5. 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.
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-appoint Messrs Ernst & Young, Chartered Accountants, as the Auditors of the Company and to authorize the Directors to fix their remuneration.
8. To authorize the Directors to determine donations for the year ending 31st March 2021 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
12 August 2020

Notes

1. A Shareholder entitled to attend and vote at the meeting is entitled to appoint a proxy to attend, speak and vote on behalf of him/her.
2. A proxy need not be a Shareholder of the Company.
3. The Form of Proxy is enclosed for this purpose.
4. The completed Form of Proxy must be deposited at the Office of the Secretaries, No.3/17, Kynsey Road, Colombo 8, by 10.30 a.m. on 27th September 2020.

Notes

Notes section containing horizontal lines for writing.

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. 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. 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	

as*my/our proxy to represent, speak and vote for me/us* and on my/our* behalf at the Annual General Meeting of the Company to be held on 29th September 2020 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 pass the ordinary resolution set out under item 2 of the Notice of Meeting for the re-appointment of Mr Merrill J Fernando as a Director.	<input type="checkbox"/>	<input type="checkbox"/>
2) To pass the ordinary resolution set out under item 3 of the Notice of Meeting for the re-appointment of Mr L N de S Wijeyeratne as a Director	<input type="checkbox"/>	<input type="checkbox"/>
3) To pass the ordinary resolution set out under item 4 of the Notice of Meeting for the re-appointment of Mr J A S S Adhihetty as a Director.	<input type="checkbox"/>	<input type="checkbox"/>
4) To re-elect Mr. Malik 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"/>
5) To re-elect Mr. C V Cabraal, who retires in terms of Article 84 of the Articles of Association as a Director of the Company	<input type="checkbox"/>	<input type="checkbox"/>
6) To re-appoint Messrs Ernst & Young as Auditors and to authorise the Directors to determine their remuneration	<input type="checkbox"/>	<input type="checkbox"/>
7) To authorize the Directors to determine donations for the year ending 31st March 2021 and up to the date of the next Annual General Meeting.	<input type="checkbox"/>	<input type="checkbox"/>

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

.....
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 10.30 a.m. on 27th September 2020.
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.
6. Please indicate with a 'X' how the Proxy should vote on each resolution. If no indication is given, the Proxy in his discretion will vote as he thinks fit.

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. R N Malinga)
Mr. Merrill J Fernando
Mr. C U Weerawardane
Mr. R E U de 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



THE FORTRESS RESORT & SPA

SRI LANKA

www.thefortress.lk