

THE FORTRESS RESORTS PLC AND ITS SUBSIDIARIES
AUDITOR'S REPORT AND FINANCIAL STATEMENTS
31 MARCH 2021

NDeS/TDK/VSS

INDEPENDENT AUDITOR'S REPORT 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 2021, 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 2021, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for opinion

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

Key audit matters

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

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

Key audit matter	How our audit addressed the key audit matter
<p>Assessing the carrying value of Property, plant & equipment</p> <p>As described in Note 2.3.6 Property, Plant & Equipment (PP&E) is carried at historical cost less accumulated depreciation and accumulated impairment losses, in accordance with Sri Lanka Accounting Standard LKAS 16 <i>Property, Plant and Equipment</i>.</p> <p>As at 31 March 2021, PP&E amounts to Rs. 1,268,099,427/- which represents 62% of the total assets of the Group.</p> <p>Hospitality industry have been adversely affected by the COVID-19-pandemic. As a result, assessment of whether events or circumstances indicate that the carrying value of PP&E of the Group may not exceeds its fair value was a key audit matter due to:</p> <ul style="list-style-type: none"> - The materiality of the amounts reported. - The degree of judgements and assumptions associated with the assessment. 	<p>Our audit procedures related to the assessment of PP&E to ascertain whether there are indicators of impairment included the following, among others:</p> <ul style="list-style-type: none"> ▶ We obtained an understanding of the process used by the management to identify events or circumstances that indicate the carrying value of assets do not exceeds its fair value, considering sources of key inputs. ▶ We evaluated the reasonableness of management's significant judgements and assumptions by: <ul style="list-style-type: none"> - Comparing assumptions related to the hospitality industry and market conditions (including the impact of the COVID-19 pandemic) with published market and industry data. - Evaluating the judgments used in the Company's assessment for consistency with audit evidence obtained in other areas of the audit and our professional judgement.
<p>Investments in short term deposits</p> <p>The Group invested an amount of Rs. 625,786,568/- (2020 - Rs. 649,350,532/-) in short term deposits with related party registered finance companies from which it earned interest income of Rs. 67,520,410/- (2020 - Rs. 56,986,356/-) for the year as disclosed in Note 17.1 and 25.3.</p> <p>Investments in short term deposits with a related party registered finance company due to;</p> <ul style="list-style-type: none"> • The materiality of the short-term deposits • the magnitude of and the inherent risk associated with related party transactions and disclosures • Probable effects of the current pandemic on liquidity needs of the Group in note 2.1.1B. 	<p>Our procedures in relation to Investments in short term deposits with related party registered finance companies 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 reinvestment and upliftment of short-term deposits upon maturities by tracing those to cashflow forecasts and credit rating of the respective finance company. ▶ We assessed the adequacy of the related disclosures given in note 17.1, Note 2.1.1B and 25.3 to the financial statements.

Other information included in the 2021 annual report

Other information consists of the information included in the Group's 2021 annual report other than the financial statements and our auditor's report thereon. Management is responsible for the other information. The Group's 2021 annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will 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 identified above when it becomes available 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.

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.

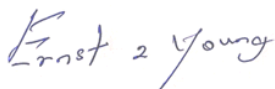
We also provide those charged with governance with a statement that we have complied with ethical requirements in accordance with the Code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and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



20 May 2021
Colombo

The Fortress Resorts PLC and Its Subsidiaries

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 March 2021

		Group		Company	
	Note	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Revenue	4	74,665,832	489,320,003	-	114,036,228
Cost of sales		(66,032,324)	(155,351,365)	-	-
Gross profit		8,633,508	333,968,638	-	114,036,228
Other income and gains	5	696,949	844,618	-	-
Advertising and marketing expenses		(9,519,870)	(27,402,795)	-	-
Administrative expenses		(235,264,228)	(302,891,073)	(4,408,552)	(6,226,422)
Finance cost	6.1	(15,711,406)	(10,553,991)	-	-
Finance income	6.2	68,553,479	58,366,964	-	-
Profit/(loss) before tax	7	(182,611,568)	52,332,361	(4,408,552)	107,809,806
Income tax expenses	8	7,005,499	(24,951,754)	-	-
Profit/(loss) for the year		<u>(175,606,069)</u>	<u>27,380,607</u>	<u>(4,408,552)</u>	<u>107,809,806</u>
Other comprehensive income/(loss)					
Other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods					
Actuarial gain on defined benefit plan	20	820,102	2,222,389	-	-
Income tax effect		(114,814)	(311,135)	-	-
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods		<u>705,288</u>	<u>1,911,254</u>	<u>-</u>	<u>-</u>
Other comprehensive income for the year, net of tax		<u>705,288</u>	<u>1,911,254</u>	<u>-</u>	<u>-</u>
Total comprehensive income/(loss) for the year, net of tax		<u>(174,900,781)</u>	<u>29,291,861</u>	<u>(4,408,552)</u>	<u>107,809,806</u>
Profit/(loss) and total comprehensive income/(loss) attributable to:					
Entire profit and total comprehensive income is attributable to the equity holders of the parent.					
Basic/diluted earnings/(loss) per share	9.1	<u>(1.58)</u>	<u>0.25</u>	<u>(0.04)</u>	<u>0.97</u>
Dividend per Share	9.2	<u>-</u>	<u>1.00</u>	<u>-</u>	<u>1.00</u>

The accounting policies and notes on pages 09 to 41 form an integral part of these financial statements.

The Fortress Resorts PLC and Its Subsidiaries

STATEMENT OF FINANCIAL POSITION

As at 31 March 2021

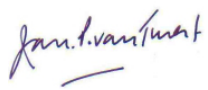
		Group		Company	
		2021	2020	2021	2020
ASSETS	Note	Rs.	Rs.	Rs.	Rs.
Non-Current Assets					
Property, plant and equipment	10	1,268,099,427	1,321,930,454	-	-
Right of use assets	11	47,996,938	53,070,261	-	-
Investments in subsidiary	12	-	-	1,000,009,990	1,000,009,990
Intangible assets	13	2,892,509	4,314,188	-	-
		<u>1,318,988,874</u>	<u>1,379,314,903</u>	<u>1,000,009,990</u>	<u>1,000,009,990</u>
Current Assets					
Inventories	15	18,329,972	22,340,146	-	-
Trade and other receivables	16	16,396,281	33,995,698	101,092,187	104,500,049
Advances and prepayments		28,151,201	39,484,263	-	-
Short term deposits	17	639,756,356	662,430,133	-	-
Cash and cash equivalents	18	9,234,923	23,429,664	26,045	1,029,985
		<u>711,868,733</u>	<u>781,679,904</u>	<u>101,118,232</u>	<u>105,530,034</u>
Total Assets		<u>2,030,857,607</u>	<u>2,160,994,807</u>	<u>1,101,128,222</u>	<u>1,105,540,024</u>
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)		487,909,489	662,810,271	(9,733,047)	(5,324,495)
Equity attributable to equity holders of the parent		<u>1,596,776,329</u>	<u>1,771,677,111</u>	<u>1,099,133,793</u>	<u>1,103,542,345</u>
Non controlling interest		1,000	1,000	-	-
Total Equity		<u>1,596,777,329</u>	<u>1,771,678,111</u>	<u>1,099,133,793</u>	<u>1,103,542,345</u>
Non-Current Liabilities					
Interest bearing loans and borrowings	14	149,927,000	139,449,514	-	-
Retirement benefit obligation	20	17,591,955	17,090,528	-	-
Deferred tax liability	8.4	22,393,908	47,657,488	-	-
Government grants	23	3,289,714	4,342,595	-	-
		<u>193,202,577</u>	<u>208,540,125</u>	<u>-</u>	<u>-</u>
Current Liabilities					
Trade and other payables	21	44,233,782	62,326,290	1,994,429	1,997,679
Contract liabilities	22	25,913,772	23,492,298	-	-
Interest bearing loans and borrowings	14	145,676,766	80,642,622	-	-
Government grants	23	15,056,492	14,315,361	-	-
Income tax payables		9,996,889	-	-	-
		<u>240,877,701</u>	<u>180,776,571</u>	<u>1,994,429</u>	<u>1,997,679</u>
Total Equity and Liabilities		<u>2,030,857,607</u>	<u>2,160,994,807</u>	<u>1,101,128,222</u>	<u>1,105,540,024</u>

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 09 to 41 form an integral part of these financial statements.

20 May 2021
 Colombo

The Fortress Resorts PLC and Its Subsidiaries

STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2021

Group	Attributable to the equity holders of the parent		Non Controlling Interest	Total
	Stated Capital	Accumulated Profit		
	Rs.	Rs.	Rs.	Rs.
Balance as at 01 April 2019	1,108,866,840	744,405,094	1,000	1,853,272,934
Dividends	-	(110,886,684)	-	(110,886,684)
Profit for the year	-	27,380,607	-	27,380,607
Other comprehensive income for the year, net of tax	-	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
Loss for the year	-	(175,606,069)	-	(175,606,069)
Other comprehensive income for the year, net of tax	-	705,288	-	705,288
		-		
Balance as at 31 March 2021	<u>1,108,866,840</u>	<u>487,909,489</u>	<u>1,000</u>	<u>1,596,777,329</u>

Company	Stated Capital	Accumulated Losses	Total
	Rs.	Rs.	Rs.
	Rs.	Rs.	Rs.
Balance as at 01 April 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
Loss for the year	-	(4,408,552)	(4,408,552)
Balance as at 31 March 2021	<u>1,108,866,840</u>	<u>(9,733,047)</u>	<u>1,099,133,793</u>

The accounting policies and notes on pages 09 to 41 form an integral part of these financial statements.

The Fortress Resorts PLC and Its Subsidiaries

STATEMENT OF CASH FLOWS

Year ended 31 March 2021

	Note	Group		Company	
		2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Cash Flows from/(used in) Operating Activities					
Profit/(loss) before Tax		(182,611,568)	52,332,361	(4,408,552)	107,809,806
Adjustments for					
Depreciation		72,141,456	69,903,769	-	-
Amortization of intangible assets	13	1,421,678	1,487,935	-	-
Depreciation of Right of Use assets	11	7,521,222	9,976,499	-	-
Finance Cost	6.1	15,711,406	10,553,991	-	-
Finance Income	6.2	(68,553,479)	(58,366,964)	-	-
Profit on Disposal of Property, Plant and Equipment		(168,056)	(844,618)	-	-
Provision for Defined Benefit Obligation	20	3,934,634	3,941,590	-	-
Operating Profit/(Loss) before Working Capital Changes		(150,602,707)	88,984,564	(4,408,552)	107,809,806
(Increase)/Decrease in Inventories		4,010,174	(1,221,355)	-	-
(Increase)/Decrease in Trade and Other Receivables and Prepayments		28,932,479	23,824,494	3,407,862	2,838,517
Increase/(Decrease) in Trade and Other Payables and Contract Liabilities		(15,671,034)	(30,713,286)	(3,250)	969,954
Cash Generated from/(used in) Operations		(133,331,088)	80,874,417	(1,003,940)	111,618,277
Finance Cost paid		(7,295,151)	(7,763,168)	-	-
Defined Benefit Obligation paid	20	(2,613,105)	(1,721,754)	-	-
Income Tax paid		(8,375,697)	(35,845,659)	-	-
Net Cash from/(used in) Operating Activities		(151,615,041)	35,543,835	(1,003,940)	111,618,277
Cash Flows from/(used in) Investing Activities					
Proceeds from Disposal of Property Plant and Equipment		430,334	1,552,346	-	-
Acquisition of Property, Plant and Equipment	10	(21,020,611)	(62,327,912)	-	-
Acquisition of Intangible Assets	13	-	(2,387,442)	-	-
Investment in Fixed deposits		(41,000,000)	(364,467,000)	-	-
Withdrawal of Fixed Deposits		78,500,000	281,967,000	-	-
Finance Income Received		53,727,256	57,016,267	-	-
Net Cash from/(used in) Investing Activities		70,636,979	(88,646,741)	-	-
Cash Flows from/(used in) Financing Activities					
Proceeds from Bank Loans	14	72,000,000	178,000,000	-	-
Repayment of Bank loans	14	-	(10,927,362)	-	-
Principal Payments under lease liabilities	14	(6,094,346)	(5,431,876)	-	-
Dividend Paid	9.2	-	(110,886,684)	-	(110,886,684)
Net Cash from/(used in) Financing Activities		65,905,654	50,754,078	-	(110,886,684)
Net Increase/(Decrease) in Cash and Cash Equivalents		(15,072,408)	(2,348,828)	(1,003,940)	731,593
Cash and Cash Equivalents at the beginning of the year		15,765,686	18,114,515	1,029,985	298,392
Cash and Cash Equivalents at the end of the year	18	693,278	15,765,686	26,045	1,029,985

The accounting policies and notes on pages 09 to 41 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2021

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 and managing the subsidiaries listed in note 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 2021 were authorized for issue in accordance with a resolution of the directors on 20 May 2021.

1.1 Parent Entity and Ultimate Parent Entity

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2021

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.

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 declined due to the impact of Covid-19 pandemic and they do not intend either to liquidate or to cease trading.

The Board believes that Group's resources including Rs. 639,756,356/- of cash and short-term deposits and Rs. 8,000,000/- of unutilized borrowings are adequate to carry out the operations for foreseeable future. Further, based on the current liquidity and capital position of the Group, the current cash flow and economic projections and results of stress testing of those projections, the Board of Directors are satisfied that the Consolidated financial statements are prepared on going concern basis and there is no material uncertainties are associated with the Group's ability to continue as a going concern.

B. *Effect of COVID 19 on the Business and Operations*

The COVID-19 outbreak has created a major challenge and a high level of uncertainty for tourism industry and the pandemic has severely impacted the operations of the Group and has resulted in a material loss of revenue for the year ended 31 March 2021.

During the year, the Hotel had to temporary close for commercial operations in the months of April 2020 to June 2020 and in some instances the Group was able to open the Hotel for local visitors in a limited capacity as impacted by government restrictions putting place in the country.

Global travel restrictions, health and safety guidelines such as social distancing have impacted on operations of the Group and continues to impact, the operations of the Group for ensuing years. After obtaining safe and secure certificate from Sri Lanka Tourism Development Authority (SLTDA) in November 2020, the hotel was able to open its doors to the foreign visitors from 07 February 2021 onwards and a gradual growth in occupancy was recorded through out the period from 07 February 2021 to 31 March 2021. With the gradual increase in foreign bookings, the Group was able to secure reasonable revenue in February and March 2021. As a result, Group's operating cash flows was improved and expects further upward trend in the next few months.

At the start of the pandemic in later part of March 2020, the Group was well positioned with a low geared levered financial status and significant level of liquidity including cash and bank balances. Considering the spread and scale of the pandemic, the management took immediate measures to protect the financial stability of the Group and implemented further measures as the effects of the pandemic continued at present.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2021

The measures taken by the Management include, but not limited to the following;

- Cancellation or postponement of non-essential capital expenditures
- Proactive cost control and working capital management including the cancellation of all non-essential discretionary spending
- Rescheduling of repayment terms of loan obtained from Bank of Ceylon
- Cancellation of dividends
- Utilization of Government assistances in the form of lower lending rates

The Group's healthy short-term deposits and cash position including unutilized borrowings will help for smooth operation of the Group.

2.2 Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 March 2021. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

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

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

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

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

Profit or loss and each component of 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. When necessary, adjustments are made in the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. 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.

2.2.1 Subsidiaries

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

<i>Subsidiaries</i>	<i>2021</i>	<i>2020</i>	<i>Nature of the Operations</i>
<i>Direct holding</i>			
La Forteresse (Private) Limited	100%	100%	Operation of Small Luxury Hotel
<i>Indirect holding</i>			
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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2021

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 is 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. As at reporting date, there is no assets or liabilities carried at fair value.

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 Group 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 revenue

Room revenue is recognized when the rooms are occupied on daily basis. The performance obligation is to provide the right to use accommodation for a given number of nights, and the transaction price is the room rate for each night determined at the time of booking. The performance obligation is met when the customer is given the right to use the accommodation, and so revenue is recognised for each night as it takes place, at the room rate for that night.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2021

Contract balances

Contract assets

A contract asset is initially recognised for revenue earned from room sales because the consideration is received at the departure of the guests. Upon departure of guests, the amount recognised as contract assets is reclassified to trade receivables.

Contract assets are subject to impairment assessment.

Contract liabilities

Customers may pay in advance for accommodation. In this case the Group has received consideration for services not yet provided. This is treated as a contract liability until the performance obligation is met. The Group has taken advantage of the practical expedient in SLFRS 15 to not adjust the consideration for the effects of a financing component as the period between payment and the performance obligation is less than one year.

Food and beverage revenue

The contract is established when the customer orders the food or beverage item and the performance obligation is the provision of food and beverage by the Group. The performance obligation is satisfied when the food and beverage is delivered to the customer (at a point of time), and revenue is recognised at this point at the price for the items purchased.

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%.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2021

Deferred Taxation

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date.

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

Tax on Dividends

Tax withheld on dividend income from subsidiaries is recognised as an expense in the consolidated statement of profit or loss at the same time as the liability to pay the related dividend is recognised.

Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax, except:

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- Receivables and payables that are stated with the amount of sales tax included

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2021

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 prevailing at the reporting date.

All exchange 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.

2.3.7 Leases

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2021

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, as follows:

Land rights – 40 – 50 Years

Motor vehicles – 5 Years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2021

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2021

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2021

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2021

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 2021 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 230 Mn loan from Bank of Ceylon and 75% said interest will be reimbursed to the bank by the Central Bank of Sri Lanka.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2021

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 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 IFRS 16 Covid-19 Related Rent Concessions

On May 2020, The Institute of Chartered Accountants of Sri Lanka issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying SLFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under SLFRS 16, if the change were not a lease modification.

The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted. This amendment had no impact on the consolidated financial statements of the Group.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to LKAS 16

In May 2020, The Institute of Chartered Accountants of Sri Lanka issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The amendments are not expected to have a material impact on the Group.

Reference to the Conceptual Framework – Amendments to SLFRS 3

In May 2020, The Institute of Chartered Accountants of Sri Lanka issued Amendments to SLFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, with a reference to the Conceptual Framework without significantly changing its requirements.

The Board also added an exception to the recognition principle of SLFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of LKAS 37 or IFRIC 21 Levies, if incurred separately. At the same time, the Board decided to clarify existing guidance in SLFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2021

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to LKAS 37

In May 2020, The Institute of Chartered Accountants of Sri Lanka issued amendments to LKAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

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

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

Judgements, Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Taxes

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

The Group has tax losses carried forward amounting to Rs. 334,625,481/- (2020- Rs. 73,019,800/-). Majority of the losses relate to La Forteresse (Pvt) Ltd; which recorded loss during the year. A deferred tax asset of Rs. 19,023,610/- (2020 -Rs. 9,153,374/-) has not been recognised in respect of this tax loss and other temporary differences which has resulted deferred tax assets as it is anticipated that the deferred tax asset will not realise in the foreseeable future. Further details on taxes are disclosed in Note 8.3.

Retirement Benefit Obligation

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

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

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Year ended 31 March 2021

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.

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.

Assessing the carrying value of property, plant and equipment and ROU assets

The carrying value of property and equipment and ROU assets were evaluated by comparing the expected discounted future cash flows of the hotel property and ROU assets to the net book value of the assets when there are indicators of potential impairment such as probable implications of Covid-19 pandemic.

Judgements and assumptions were applied when assessing the overall effect of trends in the hospitality industry and the general economy, historical experience, capital costs and other asset-specific information.

Assumptions used in the discounted cash flow models include estimating cash flows, which may require us to adjust for specific market conditions, as well as capitalization rates, which are based on location, property or asset type, market-specific dynamics and overall economic performance.

Based on cash flow projections, no provision for impairment losses is considered necessary after reviewing the impairment assessment.

The Fortress Resorts PLC and Its Subsidiaries
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Year ended 31 March 2021

4. REVENUE

	Group		Company	
	2021	2020	2021	2020
	Rs.	Rs.	Rs.	Rs.
Revenue from contracts with customers (Note 4.1)	74,665,832	489,320,003	-	-
Dividend Income	-	-	-	114,036,228
	74,665,832	489,320,003	-	114,036,228

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	
	2021	2020	2021	2020
	Rs.	Rs.	Rs.	Rs.
<i>Over a period or period of stay</i>				
Room revenue	36,129,628	282,170,232	-	-
Rental income	420,000	3,614,238	-	-
<i>At a point in time</i>				
Food revenue	25,438,165	122,304,631	-	-
Beverage revenue	6,017,251	45,294,492	-	-
Spa revenue	3,367,207	16,541,151	-	-
Laundry income	74,155	3,812,028	-	-
Transport income	577,135	3,800,253	-	-
Excursions income	975,178	2,765,404	-	-
Boutique income	48,432	2,014,731	-	-
Wedding income	177,545	2,490,078	-	-
Income from other hotel operations	1,441,137	4,512,764	-	-
	74,665,832	489,320,003	-	-

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

5. OTHER INCOME AND GAINS (GROUP/COMPANY)

	Group	
	2021	2020
	Rs.	Rs.
Profit on disposal property, plant and equipment	168,056	844,618
Exchange gains	528,893	-
	696,949	844,618

6. FINANCE COST AND INCOME

6.1 Finance Cost

	Group	
	2021	2020
	Rs.	Rs.
Interest expense on bank overdrafts	157,224	72,667
Finance charges on lease liabilities	7,430,562	7,791,462
Interest expense on bank loans net of interest subsidy (Note 14.1.1)	8,123,620	2,689,862
	15,711,406	10,553,991

6.2 Finance Income

Interest Income from Term Deposits	68,553,479	58,366,964
	68,553,479	58,366,964

7. PROFIT BEFORE TAX

	Group		Company	
	2021	2020	2021	2020
	Rs.	Rs.	Rs.	Rs.
Stated after Charging				
Included in Cost of Sales				
Employees Benefits including the following	31,697,496	62,364,161	-	-
- Defined Benefit Plan Cost - Gratuity (included in Employee Benefits)	801,689	714,721	-	-
- Defined Contribution Plan Cost - EPF and ETF (included in Employee Benefits)	3,723,197	7,932,736	-	-
Depreciation	1,781,398	2,402,536	-	-
Raw Materials and Consumables used	17,639,631	70,635,465	-	-
Included in Administrative Expense				
Employees Benefits including the following	78,828,477	78,080,238	-	-
- Defined Benefit Plan Cost - Gratuity (included in Employee Benefits)	3,132,946	3,226,870	-	-
- Defined Contribution Plan Cost - EPF and ETF (included in Employee Benefits)	9,116,736	6,956,442	-	-
Depreciation	67,912,160	67,501,233	-	-
Amortization of Intangible Assets	1,421,678	1,487,935	-	-
Audit Fees	890,000	890,000	210,000	210,000
Charity and Donations	25,008	127,995	-	-
Depreciation of ROU Assets	7,521,222	9,976,499	-	-
Maintenance Expenses	12,386,226	20,673,156	-	-
Electricity	22,832,598	26,481,090	-	-
NBT, TDL and Pradeshiya Sabba Tax	1,507,256	14,171,975	-	-
Included in Advertising and Marketing Expenses				
Advertising	3,645,750	10,798,609	-	-
Sales Promotion Expenses	4,525,402	11,513,800	-	-

The Fortress Resorts PLC and Its Subsidiaries
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Year ended 31 March 2021

8. INCOME TAX EXPENSE

The major components of income tax expense for the years ended 31 March 2021 and 2020 are:

Statement of Profit or Loss	Group		Company	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Current Income Tax				
Current Income Tax Charge (Note 8.1)	16,452,835	5,077,841	-	-
Dividend Tax	-	15,965,069	-	-
Adjustments in respect of current income tax of previous year	1,920,060	775,808	-	-
	18,372,895	21,818,718	-	-
Deferred Tax				
Relating to origination and reversal of temporary differences (Note 8.4)	(25,378,394)	3,133,036	-	-
Income tax expense/(reversal) reported in the Statement of Profit or Loss	(7,005,499)	24,951,754	-	-

Statement of Other Comprehensive Income (OCI)

Deferred tax related to items recognized in OCI during the year:

On actuarial gains	(114,814)	(311,135)	-	-
Deferred tax charged to OCI	(114,814)	(311,135)	-	-

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

Taxable Profit/(Loss) from Business

Loss from the business	-	(25,363,768)	(4,408,552)	(6,226,422)
Interest income	68,553,479	58,366,964	-	-
Taxable profit/(loss)	68,553,479	33,003,196	(4,408,552)	(6,226,422)
*Income Tax @ 14%	-	3,980,096	-	-
*Income Tax on interest income @ 24%	16,452,835	1,097,746	-	-
Current Income Tax Charge	16,452,835	5,077,841	-	-

*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%.

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

	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Profit before income tax expenses	(182,611,568)	52,332,361	(4,408,552)	107,809,806
Tax at statutory income tax rate of 14%	-	7,326,531	(617,197)	15,093,373
Tax at statutory income tax rate of 24%	16,452,835	1,097,746	-	-
Dividend income exempted from tax	-	-	-	(15,965,072)
Tax on dividends paid by subsidiary	-	15,965,069	-	-
<i>Amounts disallowed for income tax purposes</i>				
Other allowable/disallowable items for tax purpose	2,445,563	2,232,161	-	-
Adjustments in respect of current income tax of previous years	1,920,060	775,808	-	-
Deferred tax effect on business losses	(27,823,957)	(2,445,560)	-	-
Income tax expense/(reversal) reported in the Statement of Profit or Loss	(7,005,499)	24,951,754	-	-

8.3 Tax Losses Utilized

Tax Losses Brought Forward	73,019,800	60,266,137	65,381,244	59,154,822
Loss Incurred during the year	261,605,681	12,753,663	4,408,552	6,226,422
Tax Losses Carried Forward	334,625,481	73,019,800	69,789,796	65,381,244

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.

The Fortress Resorts PLC and Its Subsidiaries
NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2021

8. INCOME TAX EXPENSE (Contd...)

8.4 Deferred Tax - Group

	Statement of Financial Position		Statement of Profit or Loss	
	2021	2020	2021	2020
	Rs.	Rs.	Rs.	Rs.
Deferred Tax Liability				
Capital Allowances for Tax purpose	53,026,319	50,739,035	2,287,283	4,132,687
	<u>53,026,319</u>	<u>50,739,035</u>	<u>2,287,283</u>	<u>4,132,687</u>
Deferred Tax Assets				
Retirement Benefit Obligation - Through Income Statement	(2,629,275)	(2,444,261)	(185,014)	(310,777)
Retirement Benefit Obligation - Through Other Comprehensive Income	166,401	51,587	-	-
ROU Assets and Related Lease Liabilities	(345,580)	(688,873)	343,293	(688,873)
Tax losses	(27,823,957)	-	(27,823,957)	-
	<u>(30,632,411)</u>	<u>(3,081,548)</u>	<u>(27,665,678)</u>	<u>(999,651)</u>
Deferred Taxation Charge/(Reversal)			<u>(25,378,394)</u>	<u>3,133,036</u>
Net Deferred Tax Liability	<u>22,393,908</u>	<u>47,657,488</u>		

8.4.1 Reconciliation of Deferred Tax Charge / (Reversal)

Deferred Tax Charge reported in the Statement of Profit or Loss	(25,378,394)	3,133,036
Deferred Tax Charge reported in Other Comprehensive Income	114,814	311,135
	<u>(25,263,580)</u>	<u>3,444,171</u>

8.5 The Group has a tax loss amounting to Rs. 334,625,481/- (2020 - Rs. 73,019,800/-) 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. 19,023,610/- (2020 - Rs. 9,153,374/-) 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.

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	
Amounts used as the Numerator	2021	2020	2021	2020
	Rs.	Rs.	Rs.	Rs.
Profit/(loss) attributable to ordinary shareholders for basic earnings/(loss) per share	(175,606,069)	27,380,607	(4,408,552)	107,809,806
	<u>(175,606,069)</u>	<u>27,380,607</u>	<u>(4,408,552)</u>	<u>107,809,806</u>
Number of Ordinary Shares Used as the Denominator	2021	2020	2021	2020
	Number	Number	Number	Number
Weighted average number of ordinary shares applicable to basic earnings per share	110,886,684	110,886,684	110,886,684	110,886,684
	<u>110,886,684</u>	<u>110,886,684</u>	<u>110,886,684</u>	<u>110,886,684</u>
Earnings/(loss) per share (Rs.)	(1.58)	0.25	(0.04)	0.97
	<u>(1.58)</u>	<u>0.25</u>	<u>(0.04)</u>	<u>0.97</u>

9.2 DIVIDEND PER SHARE-GROUP/COMPANY

	2021	2020
	Rs.	Rs.
Dividend paid during the year	-	110,886,684
	<u>-</u>	<u>110,886,684</u>
Dividend per share (Rs.)	-	1.00
	<u>-</u>	<u>1.00</u>

The Fortress Resorts PLC and Its Subsidiaries
NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2021

10. PROPERTY, PLANT AND EQUIPMENT - GROUP

10.1 Gross Carrying Amounts		Balance As at 01.04.2020 Rs.	Additions Rs.	Disposals Rs.	Balance As at 31.03.2021 Rs.
At Cost					
Land		359,721,000	-	-	359,721,000
Buildings on Leasehold Land	- Hotel	942,887,840	12,490,347	-	955,378,187
	- Administration	68,583,708	981,676	-	69,565,384
Plant and Other Equipments		19,901,249	-	-	19,901,249
Furniture and Fittings		196,588,861	-	(6,000)	196,582,861
Fixtures and Fittings		92,793,529	3,504,909	(2,642,438)	93,656,000
Computer Equipments		31,188,037	191,513	(184,035)	31,195,515
Telephone Equipments		3,340,719	54,650	(95,147)	3,300,222
Kitchen Equipments		56,206,991	201,850	(224,189)	56,184,652
Electrical Equipments		164,792,990	873,293	(34,484)	165,631,799
Linen and Furnishing		16,256,311	417,900	(4,048,362)	12,625,849
Cutlery and Crockery		3,401,492	-	(1,630,995)	1,770,497
Other Equipments		15,142,739	1,094,731	(5,800)	16,231,670
Air conditioners		13,214,983	1,209,742	(151,164)	14,273,561
Motor Vehicles		44,773,312	-	-	44,773,312
Total Gross Carrying Amount		2,028,793,760	21,020,611	(9,022,615)	2,040,791,756
10.2 Depreciation		Balance As at 01.04.2020 Rs.	Charge for the year Rs.	Disposals/ Transfers Rs.	Balance As at 31.03.2021 Rs.
At Cost					
Buildings on Leasehold Land	- Hotel	244,435,671	28,152,524	-	272,588,195
	- Administration	14,638,041	2,051,872	-	16,689,913
Plant and Equipments		17,382,156	430,024	-	17,812,180
Furniture and Fittings		121,014,168	11,004,498	(6,000)	132,012,665
Fixtures and Fittings		49,506,349	7,111,219	(2,446,154)	54,171,413
Computer Equipments		24,414,925	2,390,113	(168,790)	26,636,248
Telephone Equipments		2,647,757	402,961	(95,147)	2,955,571
Kitchen Equipments		53,118,698	1,664,566	(224,189)	54,559,075
Electrical Equipments		114,540,272	8,468,655	(28,104)	122,980,823
Linen and Furnishing		11,463,416	2,447,757	(4,023,897)	9,887,276
Cutlery and Crockery		3,228,158	116,832	(1,611,088)	1,733,902
Other Equipments		14,175,711	572,672	(5,800)	14,742,582
Air conditioners		10,443,107	1,154,720	(151,164)	11,446,663
Motor Vehicles		25,854,880	6,173,043	2,447,899	34,475,822
Total Depreciation		706,863,307	72,141,456	(6,312,434)	772,692,329

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NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2021

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

10.3 Net Book Values	2021 Rs.	2020 Rs.
At Cost		
Land	359,721,000	359,721,000
Buildings on Leasehold Land - Hotel	682,789,992	698,452,169
- Administration	52,875,471	53,945,667
Plant and Equipments	2,089,069	2,519,093
Furniture and Fittings	64,570,195	75,574,693
Fixtures and Fittings	39,484,587	43,287,181
Computer Equipments	4,559,266	6,773,112
Telephone Equipments	344,650	692,962
Kitchen Equipments	1,625,577	3,088,293
Electrical Equipments	42,650,976	50,252,718
Linen and Furnishing	2,738,573	4,792,895
Cutlery and Crockery	36,595	173,335
Other Equipments	1,489,087	967,028
Air conditioners	2,826,898	2,771,876
Motor Vehicles	10,297,490	18,918,433
	<u>1,268,099,427</u>	<u>1,321,930,454</u>
Total Carrying Amount of Property, Plant and Equipment	<u>1,268,099,427</u>	<u>1,321,930,454</u>

- 10.4** During the financial year, the Group acquired property, plant and equipment to the aggregate value of Rs. 21,020,611/- (2020 - Rs. 62,327,912/-). Cash payments amounting to Rs. 21,020,611/- (2020 - Rs. 62,327,912/-) were made during the year for purchase of Property, Plant and Equipment.

11. RIGHT OF USE ASSETS-GROUP/COMPANY

		2021 Rs.	2020 Rs.
Leasehold Lands	(Note 11.2)	45,233,608	47,355,933
Leasehold Motor Vehicles	(Note 11.3)	2,763,330	5,714,328
		<u>47,996,938</u>	<u>53,070,261</u>

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 2021	Annual Rental 2020
Lease hold lands				Rs.	Rs.
Hotel Building	SLTDA	1	2005 - 2045	2,481,951	2,338,356
Administration Building	BOI	2	2005 - 2035	292,307	265,734
Organic Garden	BOI	1	2014 - 2064	577,691	453,200
Driver Quarters	Other	1	2011 - 2021	240,000	240,000
				<u>3,591,949</u>	<u>3,297,290</u>
Other Assets					
Motor Vehicles	Bank of Ceylon		2017 - 2021	7,135,224	7,135,224
Total lease rentals				<u>10,727,173</u>	<u>10,432,514</u>

The Fortress Resorts PLC and Its Subsidiaries

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2021

11. RIGHT OF USE ASSETS-GROUP/COMPANY (Contd...)

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
Transferred from property, plant and equipment	-	2,447,899	2,447,899
Depreciation expenses	(2,122,325)	(5,398,897)	(7,521,222)
As at 31 March 2021	45,233,608	2,763,330	47,996,938

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

	2021 Rs.	2020 Rs.
Depreciation expense of right-of-use assets	7,521,222	9,976,499
Interest expense on lease liabilities	7,430,562	7,791,462
Total amount recognized in profit or loss	14,951,784	17,767,961

The Group had total cash outflows for leases of Rs. 10,727,173/- during the year (2020 - 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	
12.1 Non-Quoted Investments	2021 %	2020 %	2021 Rs.	2020 Rs.
La Forteresse (Private) Limited	100%	100%	1,000,009,990	1,000,009,990
			1,000,009,990	1,000,009,990

Other indirect holdings in other subsidiaries are listed in note 2.2.1 to the financial statements.

The Fortress Resorts PLC and Its Subsidiaries
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Year ended 31 March 2021

13. INTANGIBLE ASSETS - GROUP		Balance As at 01.04.2020 Rs.	Additions Rs.	Disposals Rs.	Balance As at 31.03.2021 Rs.
13.1	Cost				
	Computer Software	16,254,430	-	-	16,254,430
		16,254,430	-	-	16,254,430
13.2	Amortization				
	Computer Software	11,940,243	1,421,678	-	13,361,921
		11,940,243	1,421,678	-	13,361,921
13.3	Net Book Values			2021 Rs.	2020 Rs.
	Computer Software			2,892,509	4,314,188

13.4 Computer Software are amortized over 05 years

14. FINANCIAL LIABILITIES

14.1 Interest Bearing Loans and Borrowings		Group	
		2021 Rs.	2020 Rs.
Current Interest Bearing Loans and Borrowings			
	Bank Loans (Note 14.1)	131,428,572	67,315,003
	Bank Overdrafts (Note 18)	8,541,644	7,663,977
	Lease Liabilities (Note 14.3)	5,706,550	5,663,641
	Total Current Interest Bearing Loans and Borrowings	145,676,766	80,642,622
Non Current Interest Bearing Loans and Borrowings			
	Bank Loans (Note 14.1)	94,214,873	81,099,678
	Lease Liabilities (Note 14.3)	55,712,127	58,349,835
	Total Non Current Interest Bearing Loans and Borrowings	149,927,000	139,449,514
14.1.1	Bank Loans	2021 Rs.	2020 Rs.
	<i>Bank of Ceylon (BOC) - Working capital loans</i>		
	Opening balance	148,414,682	-
	Loans received during the year	72,000,000	178,000,000
	Recognition of government grant	(17,352,902)	(23,813,925)
	Interest accrued during the year	25,788,274	5,155,969
	Repayments (2021 - Interest payment only)	(3,206,609)	(10,927,362)
		225,643,445	148,414,682
	Current	131,428,572	67,315,003
	Non-Current	94,214,873	81,099,678
		225,643,445	148,414,682

BOC - Working Capital Loan

The Group has obtained a 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. 230 Million (Rs. 178 Million in 2019/2020 and Rs. 52 Million in 2020/2021) 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 Koggala, Habaraduwa. (Carrying value of the property is Rs. 735 Mn).

BOC - Covid 19 relief loan

The Group has obtained a loan under the "Saubagya Covid - 19 Renaissance Facility" loan scheme proposed by the Government. An amount of Rs. 20 Million was granted under this facility.

Terms and Conditions

Purpose - Working Capital Requirements

Repayment Period - 24 Months (Including 6 Months grace period)

Rate of Interest- 4% per annum

Security- Primary mortgage over the property situated at Koggala, Habaraduwa. (Carrying value of the property is Rs. 735 Mn).

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14. FINANCIAL LIABILITIES (Contd...)

Interest expense

Interest expence on all loans net of interest subsidy for the period set out below,

	2021 Rs.	2020 Rs.
Interest on working capital loan	25,788,274	7,845,831
Setoff with Government grant	(17,664,652)	(5,155,969)
Net interest cost recognized in the statement of profit or loss	<u>8,123,622</u>	<u>2,689,862</u>

14.1.2 Lease Liabilities

	Lands Rs.	Motor Vehicles (Note 14.2) Rs.	Total Rs.
At the Beginning of the Year	52,276,761	11,737,018	64,013,779
Capital Payments	-	(6,094,346)	(6,094,346)
Interest Accrued on Lease Liabilities	3,499,244	-	3,499,244
As at 31 March 2021	<u>55,776,005</u>	<u>5,642,672</u>	<u>61,418,677</u>
<i>Lease Payments</i>			
Gross Payments	(3,591,949)	(7,135,224)	(10,727,173)
Interest expense recognized as finance expense	6,389,684	1,040,878	7,430,562
Capital Payments	<u>2,797,735</u>	<u>(6,094,346)</u>	<u>(3,296,611)</u>
Current	<u>63,878</u>	<u>5,642,672</u>	<u>5,706,550</u>
Non-Current	<u>55,712,127</u>	<u>-</u>	<u>55,712,127</u>

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.

14.2 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.

15. INVENTORIES - GROUP

	2021 Rs.	2020 Rs.
Food and Beverages	4,290,742	6,866,575
House Keeping and Maintenance	9,753,476	10,413,722
Stationary, Consumables and Others	4,285,754	5,059,849
	<u>18,329,972</u>	<u>22,340,146</u>

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16. TRADE AND OTHER RECEIVABLES - GROUP	Group		Company	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Trade Receivables	3,067,943	26,524,627	-	-
Other Receivables - Related Parties (Note 16.1)	-	-	101,092,187	104,500,049
Other Receivables - Other	13,328,337	7,471,071	-	-
	<u>16,396,281</u>	<u>33,995,698</u>	<u>101,092,187</u>	<u>104,500,049</u>

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

	Total	Neither past due or nor Impaired	Past due but not impaired				
			< 30 days	31 - 60 days	61 - 90 days	91 - 120 days	> 120 days
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
2021	3,067,943	1,265,732	1,802,211	-	-	-	-
2020	26,524,627	20,256,958	6,267,669	-	-	-	-

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. All the above receivables are due from well established foreign travel agents and the dues are still within the credit period.

- 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		2021 Rs.	2020 Rs.
Company	Relationship		
La Forteresse (Private) Limited	Subsidiary Company	<u>101,092,187</u>	<u>104,500,049</u>

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.

17. SHORT TERM DEPOSITS - GROUP		2021 Rs.	2020 Rs.
Investments in Fixed Deposits	(Note 17.1)	<u>639,756,356</u>	<u>662,430,133</u>

17.1 Investment in fixed deposits at amortized cost

LB Finance PLC	316,250,395	305,499,298
Vallible Finance PLC	309,536,173	343,851,233
Bank of Ceylon	13,969,789	13,079,601
	<u>639,756,356</u>	<u>662,430,133</u>

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.

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18. CASH AND CASH EQUIVALENTS IN THE CASH FLOW STATEMENT

Components of Cash and Cash Equivalents

	Group		Company	
	2021	2020	2021	2020
	Rs.	Rs.	Rs.	Rs.
Favorable Cash and Cash Equivalent Balances				
Cash and Bank Balances	9,234,923	23,429,664	26,045	1,029,985
	<u>9,234,923</u>	<u>23,429,664</u>	<u>26,045</u>	<u>1,029,985</u>
Unfavorable Cash and Cash Equivalent Balances				
Bank Overdraft	(8,541,644)	(7,663,977)	-	-
Total Cash and Cash Equivalents for the Purpose of Cash Flow Statement	<u>693,279</u>	<u>15,765,686</u>	<u>26,045</u>	<u>1,029,985</u>

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

19. STATED CAPITAL - COMPANY/ GROUP

	2021		2020	
	Number	Rs.	Number	Rs.
Fully paid Ordinary Shares	110,886,684	1,108,866,840	110,886,684	1,108,866,840
	<u>110,886,684</u>	<u>1,108,866,840</u>	<u>110,886,684</u>	<u>1,108,866,840</u>

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20. RETIREMENT BENEFIT OBLIGATION - GROUP

	2021	2020
	Rs.	Rs.
Defined Benefit Obligation - Gratuity		
Balance at 1 April	17,090,528	17,093,080
Current Service Cost	2,140,129	2,146,817
Interest Cost	1,794,505	1,794,773
Actuarial (Gain) / Loss	(820,102)	(2,222,389)
Benefits paid	<u>(2,613,105)</u>	<u>(1,721,754)</u>
Balance at 31 March	<u><u>17,591,955</u></u>	<u><u>17,090,528</u></u>

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

Cost of Sales	733,237	714,721
Administrative Expenses	3,201,397	3,226,869
Other Comprehensive Income	<u>(820,102)</u>	<u>(2,222,389)</u>
	<u><u>3,114,532</u></u>	<u><u>3,981,306</u></u>

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,

	2021	2020
Discount Rate	7%	11%
Future Salary Increment Rate	3%	5%

20.3 Sensitivity of the principal assumptions used

	Expected Future Salaries		Discount Rate	
	1% increase	1% decrease	1% increase	1% decrease
	Rs.	Rs.	Rs.	Rs.
2021				
Change in Present value of Defined Benefit Obligation	<u>1,737,234</u>	<u>(1,311,533)</u>	<u>(1,183,185)</u>	<u>1,612,005</u>
2020				
Change in Present value of Defined Benefit Obligation	<u>1,348,561</u>	<u>(1,216,427)</u>	<u>(1,087,878)</u>	<u>1,220,048</u>

20.4 The average duration of the defined benefit plan obligation at the end of the reporting period is 10 years (2020 - 9 Years).

21. TRADE AND OTHER PAYABLES	Group		Company	
	2021	2020	2021	2020
	Rs.	Rs.	Rs.	Rs.
Trade Creditors	14,394,785	26,256,114	-	-
Other Payables	23,038,256	27,773,957	-	-
Accrued Expenses	<u>6,800,740</u>	<u>8,296,220</u>	<u>1,994,429</u>	<u>1,997,679</u>
	<u><u>44,233,782</u></u>	<u><u>62,326,290</u></u>	<u><u>1,994,429</u></u>	<u><u>1,997,679</u></u>

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.

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Year ended 31 March 2021

22. CONTRACT LIABILITIES

	Group	
	2021	2020
	Rs.	Rs.
Advances received for future bookings	<u>25,913,772</u>	<u>23,492,298</u>
Opening Balance	23,492,298	45,478,559
Advance received during the year	4,722,436	238,548,276
Refunds due to cancellation of bookings	-	(9,624,971)
Setoff against the receivables	<u>(2,300,962)</u>	<u>(250,909,566)</u>
Closing Balance	<u>25,913,772</u>	<u>23,492,298</u>

23. GOVERNMENT GRANTS

	Group	
	2021	2020
	Rs.	Rs.
Opening balance	18,657,956	-
Recognized during the year	17,352,902	23,813,925
Setoff against interest expenses during the year	<u>(17,664,652)</u>	<u>(5,155,969)</u>
Closing balance	<u>18,346,206</u>	<u>18,657,956</u>
Current	<u>15,056,492</u>	<u>14,315,361</u>
Non-Current	<u>3,289,714</u>	<u>4,342,595</u>

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

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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 statring 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:

	2021		2020	
	Minimum payments	Present value of payments (Note 14.1.3)	Minimum payments	Present value of payments (Note 14.1.2)
	Rs.	Rs.	Rs.	Rs.
Within one year	10,304,387	5,706,550	11,268,756	3,814,841
After one year but not more than five years	18,598,622	216,274	23,348,344	(5,509,393)
More than five years	222,951,382	55,495,851	228,506,047	65,708,029
Total minimum lease payments	251,854,391	61,418,675	263,123,148	64,013,477
Less amounts representing finance charges	(190,435,716)	-	(199,109,670)	-
Present value of minimum lease payments	61,418,675	61,418,675	64,013,477	64,013,477

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25. RELATED PARTY DISCLOSURES

Details of significant related party disclosures are as follows:

25.1 Transactions with the Parent and Related Entities

	Subsidiaries	
	2021	2020
	Rs.	Rs.
As at 1 April	104,500,049	107,338,566
Recurring related party transactions		
Settlements during the year	1,066,405	(110,700,000)
Expenses Incurred on behalf of the Company	(4,465,268)	(6,174,745)
Dividends	-	114,036,228
As at 31 March	<u>101,101,186</u>	<u>104,500,049</u>
Included in		
Trade and Other Receivables	<u>101,092,187</u>	<u>104,500,049</u>

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. There are no material transactions were carried out subsidiary and agreed terms with respective parties.

Subsidiaries : 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

Nature of transaction	2021	2020
	Rs.	Rs.
Short Term Employment Benefits	<u>14,435,835</u>	<u>18,485,740</u>

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.

			2021	2020
			Rs.	Rs.
Recurring transactions				
Related Party	Nature	Terms		
LB Finance PLC	Investment in Fixed Deposits	Market Terms	41,000,000	292,500,000
(Investments on 6 Months and 12 Months FDs as Market Rate)	Withdrawal of Fixed Deposits	Market Terms	33,500,000	95,000,000
	Interest Income	Market Terms	34,535,986	15,245,068
	Balance as at 31 March		<u>316,250,395</u>	<u>305,499,298</u>
Vallible Finance PLC	Investment in Fixed Deposits	Market Terms	-	63,000,000
(Investments on 6 Months and 12 Months FDs as Market Rate)	Withdrawal of Fixed Deposits	Market Terms	45,000,000	178,000,000
	Interest Income	Market Terms	32,984,424	41,741,288
	Balance as at 31 March		<u>309,536,173</u>	<u>343,851,233</u>

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

There have been no material events occurring after the reporting date that require adjustment to or disclosure in the Financial Statements. The Group has been closely monitoring the impact of the development of COVID-19 on the Group's business operations due to the continuing impact of the Pandemic. The Group has taken numerous measures for the safety of staff employed, adhering to all Government and Health Authority rules and guidelines and also closely monitoring the liquidity positions and working capital requirements.

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 2021 and 2020.

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 packages.

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
2021		
Interest Bearing Loans and Borrowings	+/- 50	+/- 175,250
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.

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

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. The exposure to the foreign currencies have been limited during the year due the operational reduction caused by Covid 19.

	Change in GBP/ EURO rate	Effect on profit before tax	Effect on equity
2021	+/- 5%	+/- 423,314	+/- 26,445
2020	+/- 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 90% of the trade receivables are due from well established travel agents. Risk exposure to receivables from individuals and entities are minimal as most of the transactions with local individuals were done on cash basis.

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.

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.

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

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. 52,000,000/- (2020 - Rs. 178,000,000/-) loan and a working capital loan of Rs. 20,000,000/- under 'Saubagya Covid - 19 Renaissance Facility' for operational purpose during the year.

The Group has Rs. 639,756,356/- of short term deposits, Rs. 9,234,923/- of cash balance and Rs. 8,000,000/- of undrawn banking facilities as at the reporting date which can used to settle liabilities maturing within 12 Months form the reporting date.

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.

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

Year ended 31 March 2021	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 Years	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Bank Overdraft	8,541,644	-	-	-	-	8,541,644
Bank Loans	-	32,857,143	90,095,238	87,644,066	-	210,596,447
Lease Liabilities	-	2,918,398	7,385,989	18,598,622	222,951,382	251,854,391
Trade and other payables	-	14,394,785	29,838,996	-	-	44,233,782
	<u>8,541,644</u>	<u>50,170,326</u>	<u>127,320,224</u>	<u>106,242,688</u>	<u>222,951,382</u>	<u>515,226,264</u>
Year ended 31 March 2020	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 Years	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
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
	<u>7,663,977</u>	<u>61,652,971</u>	<u>143,070,420</u>	<u>59,292,638</u>	<u>228,506,047</u>	<u>500,186,053</u>

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

Capital management

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

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

- i. safeguard their ability to continue as a going concern, so that they can continue to provide returns to shareholders and benefits for other stakeholders, and
- ii. maintain an optimal capital structure to reduce the cost of capital.

Management monitors the return on capital, as well as the level of dividends to ordinary shareholders.

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

		2021 Rs.	2020 Rs.
Interest-bearing loans and borrowings	(Note 14)	295,603,766	220,092,136
Trade and other payables	(Note 16)	44,233,782	62,326,290
Less: Cash and cash equivalents	(Note 18)	(9,234,923)	(23,429,664)
Net debt		<u>330,602,625</u>	<u>258,988,762</u>
Equity		<u>1,596,777,329</u>	<u>1,771,678,111</u>
Total capital		<u>1,596,777,329</u>	<u>1,771,678,111</u>
Capital and net debt		1,927,379,954	2,030,666,873
Gearing ratio		<u>17%</u>	<u>13%</u>

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2021 and 2020.