Resilient Hope

The Fortress Resort PLC | Annual Report 2021/22

Contents

Resilient Hope

Although the year that was continued in its train of unpredictability and challenge, we at Fortress held a steady course and was able to deliver positive results. Built on a resilient attitude, prudent work plans and uncompromised quality, our team remained undeterred and motivated, more than ever, to change and narrative and focus on opportunity rather than the hurdles in our way.

Through our journey this year we have places trust in our processes which has been the linchpin of our progressive year.

Group Financial Highlights

Year Ended 31 st March	Notes	2022	2021	2020
Earnings Highlights and Ratios				
Revenue	Rs'000	349,167	74,666	489,320
Earnings/(Loss) before interest and tax (EBIT)	Rs'000	39,019	(166,900)	62,887
Group profit/(loss) before tax (PBT)	Rs'000	27,283	(182,611)	52,333
Group profit/(loss) after tax (PAT)	Rs'000	33,049	(175,606)	27,381
Group profit attributable to the shareholders	Rs'000	31,887	(174,901)	29,292
Earnings/(loss) per share (EPS)	Rs.	0.30	(1.58)	0.26
EPS Growth	%	119	(700)	48
Interest cover	No of times	3	(11)	6
Return on Equity	%	2	(11)	2
Pre - tax ROCE	%	2	(11)	3
Balance Sheet highlights and ratios				
Total assets	Rs'000	1,919,266	2,030,858	2,160,995
Total debt	Rs'000	82,705	225,643	148,415
Total shareholder's funds	Rs'000	1,628,664	1,596,776	1,771,677
No. of shares in issue	Number	110,886,684	110,886,684	110,886,684
Net assets per share	Rs.	14.69	14.40	15.98
Debt/Equity	%	5	14	8
Debt/Total assets	%	4	11	7
Market/Shareholder information				
Market price of share as at 31 st March	Rs.	12.50	7.80	7.80
Market capitalisation	Rs'000	1,386,084	864,916	864,916
Price earnings ratio	No of times	41.67	(4.93)	29.53
Dividend per share	Rs.	-	-	1.00
Dividend pay out ratio	%	0	0	379
Operational information				
Average occupancy	%	24	10	41
Number of room nights sold	Room nights	4636	1,944	8,047
Room revenue	Rs'000	206,042	36,130	282,170
Avearge room rate (ARR)	Rs.	44,444	18,585	35,065
Revenue per occupied room	Rs.	81,877	38,767	60,913
Net profit per room	Rs'000	623	(3,300)	553


The key is to set realistic customer expectations and then not to just meet them, but to exceed them – preferably in unexpected and helpful ways.

- Sir Richard Branson -


Chairmans' Review

It is likely that the ramifications of the complexities of the recovery process will continue to impact global growth in the near future with particularly severe impact on physical and human capital.

It is with pleasure that I present the Annual Report and Statement of Accounts of The Fortress Resorts PLC (TFR) for the financial year ended 31st March 2022. The second phase of the COVID-19 pandemic unraveled during the first half of the year, continuing to hinder business prospects of the hospitality industry, and the Fortress Resort and Spa (TFR) was no exception. In these uncertain times, our key priorities were the safety of our guests and employees as well as operational integrity of our business. We entered the year 2021, emerging from the most challenging two years of our operational history, and reeling from the considerable impact of the Easter Sunday attack on tourism as well as the COVID-19 pandemic that followed in 2020. However, with strong vaccination rollouts on the horizon both globally and locally, we were hopeful of a slow yet steady rebound in tourism. While the first half of the year was fraught with uncertainty, periodical lockdowns and the severe wave of the Delta variant of COVID-19, we were able to recover our footing during the second half of the year. TFR navigated the troubled waters with resilience, strict safety measures, and our innate service excellence to pursue profitability and create value for all stakeholders.

GLOBAL OUTLOOK

Global economy was better prepared for the impact of the COVID-19 pandemic in 2021 when compared to the previous year. Accordingly, advanced countries extended strong fiscal policy support to businesses, introduced lockdown relaxations and accelerated vaccination rollouts to induce economic growth and alleviate social pressure. As such, global economy rebounded, however at a slower than expected pace. The World Bank report released in January 2021, indicate that global growth rose to 5.5 percent in 2021. Nevertheless, the recurring waves of COVID-19 pandemic continued to disrupt supply chains and negatively impact world trade, which in turn led to rising inflation in a number of countries. Emerging Markets were particularly affected given the lack of fiscal support and prevailing uncertainty.

It is likely that the ramifications of the complexities of the recovery process will continue to impact global growth in the near future with particularly severe impact on physical and human capital.

Meanwhile, global tourism grew by a marginal 4% in 2021 with 415 million arrivals compared to the 400 million recorded in 2022. However, overnight visitors still remained 72% below the pre-pandemic period, indicating the persisting challenges in the revival of tourism to its former status.

During the second half of 2021, tourist arrival surged until the emergence of the Omicron variant triggered another setback, reflecting a decline of 62% in tourist arrival by December in comparison to pre-pandemic levels.

Regional revival of tourism varied depending on regional realities, with Europe and America witnessing a growth rate of 19% and 17% respectively. However, the growth rates were still 63% below pre-pandemic rates. While regions such as the Caribbean experienced a strong rebound from 2020, they are yet to catch up to the pre-pandemic rates. Tourist arrival in the Middle East and the Pacific regions decreased during the year under review as many destinations were still closed for non-essential travel. Meanwhile, the economic contribution from tourism rose to US$1.9 trillion in 2021 in comparison to US$1.6 trillion recorded in 2020.

SRI LANKAN CONTEXT

The Sri Lankan economy faced an exceptionally challenging period during the year under review with unsustainable debt and balance of payment crisis creating a distressful macroeconomic status quo.

Real GDP of the country grew by 3.5% with a robust year-on-year growth of 12.3% illustrating a recovery in the second quarter of 2021. The pandemic as well as socioeconomic uncertainties contributed to low earnings from tourism. However, the export sector, in particular textile industry performed exceptionally well.

However, the increase in imports of intermediate and capital goods offset the growth in exports, while year-on-year inflation increased to 17.5% by February 2022, mainly driven by high food inflation (24.75%), fuel price adjustments and high global commodity prices.

In spite of the export earnings and restrictions imposed on non-essential goods, Sri Lanka's trade deficit rose to USD 8.1 billion in 2021 from USD 6 billion in 2020. The country's remittance receipts dropped by 22.7 percent while tourism receipts decreased by 61.7%, triggered by intense political instability and the prevalent pandemic.

Sri Lanka's fiscal deficit remained at 11.1% of GDP during 2021 while public and publicly guaranteed debt rose to 117 percent of GDP.

The net foreign assets of the banking system decreased to US$ -4.9 billion as at December 2021, revealing the growing foreign exchange liquidity shortages. (Source: The World Bank)
Tourism Industry in Sri Lanka

The spillover effect from COVID-19 pandemic as well as the persisting repercussions of the Easter Sunday attack continued to daunt the tourism industry in Sri Lanka, a status quo that worsened the foreign exchange crisis in the country. Nevertheless, widespread vaccination, border control relaxations, stringent health and safety protocols and successful marketing strategies somewhat revived the tourism segment. Meanwhile, the Sri Lankan economy faced an uphill battle in effectively managing the balance of payment crisis with import expenses offsetting the earnings from exports in spite of bans imposed on non-essential items.

However, the nation witnessed a Real GDP growth of 3.5% with a robust year-on-year growth of 12.3%, which indicated the slow revival in the latter part of 2021. While the tourism sector continued to lag behind due to the pandemic situation, the export sector, especially the textile industry performed well. However, the pandemic fuelled economic downturn coupled with unsustainable combined to create a volatile and weak economy.

The latest data on tourism indicate a gradual growth in arrivals, especially during the final two quarters of the year, with the largest number of arrivals occurring in February and March of 2022.

COMPANY PERFORMANCE

The Fortress Resort and Spa earned profit after tax of LKR 33.1 Mn illustrating an exponential increase of 119% in comparison to the loss of175.6 Mn recorded in 2020. The hotel's revenue was at LKR 349 Mn indicating a dramatic growth of 365%, while earnings per share increased to 0.30 cents. TFSL's room occupancy rose by 14% indicating a 24% occupancy rate for the financial year 2021/22.

While we are yet to reach the pre-pandemic levels of guest arrivals, the welcome rebound followed a combination of prudent and progressive strategic steps we employed during the year.

Chairman's Review Contd'

In February, 2021 we obtained the safe & secure operating status from SLTDA as a level 1 hotel capitated to cater only to foreign guests. The level 1 status enabled us to earn much needed foreign currency, especially during the latter part of the year under review, however we were unable to leverage on the growing domestic tourism market as a result.

While we began welcoming tourists in February 2021, a confluence of obstructive factors such as complex and demanding prerequisites for visiting the country hindered tourist arrivals during the first part of the year. However, room occupancy rate picked up pace during the latter half of the year with widespread vaccination rollouts and relaxation of prerequisites for foreign guests to Sri Lanka.

The slow yet steady revival we experienced during the year can be attributed to the comprehensive strategy and action plan that we executed during the year under review. Our contingency approach to reimagining business revival included operational integrity and excellence, cost optimisation and financial prudence. This translated in to the effective implementation of health and safety protocol in line with COVID-19 preventive guidelines set out by local and international bodies as well as extensive awareness building amongst our employees.

Our signature TFSL style enhanced to incorporate exceptional hospitality reinforced with the assurance of safety and hygiene.

FUTURE OUTLOOK

During the financial year 2021/22 we successfully adopted prudent growth strategies that allowed us to mitigate daunting circumstances to seek growth. While, we will not forget the lessons of the year 2020, TFSL will continue to build on the momentum gained during the year under review to forge ahead with confidence.

Meanwhile, we are well aware of the unsustainable economic, social and political environment that prevails in the country at the time of preparation of this report. It is clear that we will need to find sustainable, agile solutions to the existing problems, and ensure the operational viability of the tourism industry.

At an organisational level, TFSL will need to look for continuous operational excellence as well as avenues of revenue growth through a variety of innovations. In the meantime, we plan on remaining committed to safeguarding one of our vital assets – our people. We are confident in spite of the prevailing challenges that our robust focus on embracing best practices in the environmental, social and governance domains will enable us to create holistic value for all.

ACKNOWLEDGEMENT

As I conclude the assessment of the year under review, I wish to extend my heartfelt gratitude to our Board of Directors for their visionary guidance. The steady support and dedication of our employees and management ensured the survival and operational excellence of TFSL, fuelling the revival experienced during the year with their exceptional work ethics. I am grateful to each and every one of the team of employees for their unwavering commitment. We will continue to forge ahead undaunted by challenges through employing creativity, integrity, innate service excellence and commitment to exceptional hospitality and care as luxury boutique hotel par excellence.

Managing Director's Review

Mindful of the fact that the country's environmental heritage remains a valuable asset and a key attraction to tourists, we at TFSL maintains a holistic view of environmental sustainability. As such, we strive consistently to balance our operational requirements with our environmental sustainability outreach

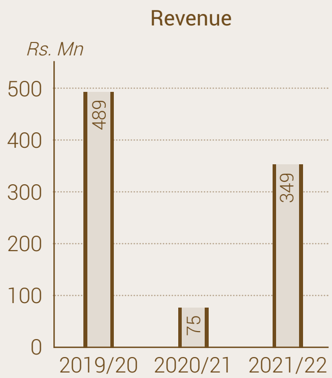
As the COVID-19 virus plunged the entire world into chaos during 2020 and 2021, the travel, leisure and hospitality industry in particular suffered a considerable setback. As countries across the world focused on containing the spread of the virus, border closures, lockdowns and loss of confidence amongst travellers marred the growth prospects of the hospitality industry across the world. However, the lessons learnt in 2022, prudent financial management, stringent safety measures and relaxations of restrictions of mobility triggered a slow rebound in tourism in 2021, in particular during the second half of the year. As such, the Fortress Resort and Spa illustrated our resilience and the ability bounce back through posting a PAT of LKR 33 Mn indicating a year-on-year growth of 119% in comparison to the previous year.

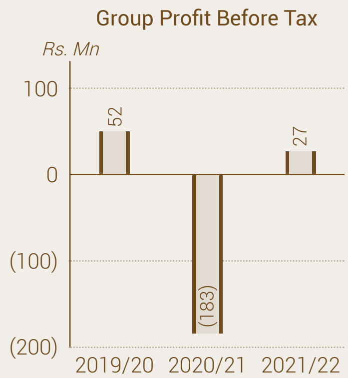
In this promising backdrop, we are honored to present our Annual Report and Audited Statement of Accounts of the Fortress Resorts PLC (TFSL) for the year ended March 31, 2022.

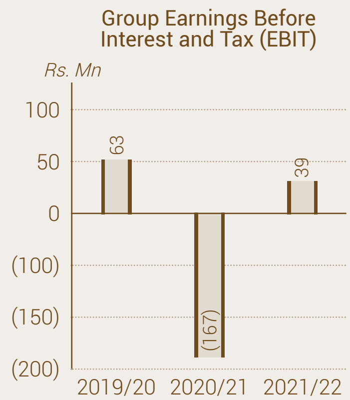
KEY INDUSTRY DYNAMICS

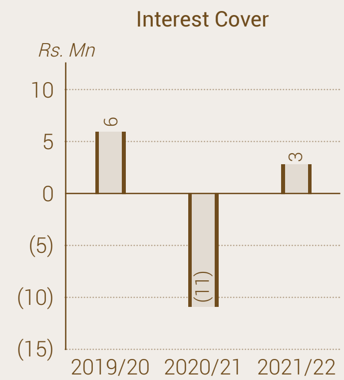
The continuous challenges of the pandemic slowed down recovery of the tourism industry. Even though domestic tourism picked up pace in the first few months of 2021, international tourism lagged far behind pre-pandemic status. In the wake of the severe second wave of the viral infections, domestic tourism too slowed down in April and May. The stringent prerequisites for travelling to Sri Lanka deterred foreign travelers from venturing into the island nation for leisure.

Nevertheless, as vaccination drives became more widespread, lockdowns eased and fully vaccinated travelers were allowed to enter the country without the mandatory PCR test Sri Lanka's vital tourism sector experienced a mild yet









hopeful revival. The lowest number of tourist arrivals was recorded in June and July, while the largest number of arrivals occurred from the period between December 2021 and March 2022.

Meanwhile, the Central bank and the banking sector assisted hospitality establishments and tourism related businesses with the provision of an extended moratorium as well as low interest working capital loans to maintain the cash flow and ensure that working capital requirements were met.

In spite of the relief measures, the tourism industry faced revenue generation constrains, which in turn led to intense price competition as revival began.

The latest tourism data from the SLTDA indicate the largest source market for tourism in country to be India, Russia, the United Kingdom as well as Germany and Ukraine. However, the Chinese source market is yet to make a comeback with tourist arrivals well short of the pre-pandemic numbers.

OPERATIONAL HIGHLIGHTS AND PERFORMANCE

The Fortress Resort and Spa employed a number of well-calculated strategies to pursue business growth during the year under review. As such, we orchestrated a robust promotional campaign with particular emphasis on communicating our COVID-19 protocols. We reached out to potential foreign guest via a number of platforms including digital and social media platforms. In addition, we maintained our partnerships with annual tourist brochures regardless of the high investment to attract guests from the UK, Germany, Italy and France. We continued to nurture our partnerships with tour operators to extend our market reach.

Meanwhile, in February 2021, TFSL obtained the level 1 (foreign guests only) safe and secure operating status from SLTDA. While we were able to resume operations as a result, guest arrivals were low as loss of confidence and the complicated process of obtaining approval to tour Sri Lanka quelled the desire to travel in Sri Lanka. Moreover, as a level 1 operating establishment, we were unable to welcome local overnight guests. Nevertheless, once wide spread vaccination instilled fresh confidence amongst travelers and Sri Lankan authorities relaxed travel prerequisites for fully vaccinated guests, TFSL's room occupancy rate increased. The room occupancy rate for the financial year 2021/22 stood at 24%, indicating a year on year increase of 14%. The hotel's revenue for the period was LKR 349.2 Mn illustrating an exponential growth of 367%.

TFSL's room revenue grew by 472% during the year under review, while food and beverage revenues grew by 259% and 368% respectively. Meanwhile, revenue generation of our spa facilities grew by 276%.

While our room occupancy rate continued to increase gradually, the highest number of overnight guests was recorded during the period between December 2021 to March 2022, mirroring the growing number of tourist arrivals in the country during the same period.

STRATEGIC DRIVERS OF GROWTH

Our core appeal to travelers is the luxury boutique hotel status and reputation that we have carefully nurtured and built over the years. As a beachfront property that provides easy access to some of the country's most beautiful southern coast beaches, we enjoy an enviable position, which we continue to enhance with our unique and opulent guest-centric services. Leveraging on this advantageous position, we continued to further invest in our core strategic drivers during the year under review to improve our growth prospects in our quest to create lasting value on behalf our stakeholders whilst effectively managing our economic, social and environmental impact.

Mindful of the fact that the country's environmental heritage remains a valuable asset and a key attraction to tourists, we at TFSL maintains a holistic view of environmental sustainability. As such, we strive consistently to balance our operational requirements with our environmental sustainability outreach. While our involvement in specific environmental sustainability programmes took a back seat due to the financial constraints and operational difficulties in 2021, we will continue to reinforce such involvements in the near future. Nevertheless, we continued to maintain our organic garden to supplement our requirement of fresh, organic fruits and vegetables. In 2021, we invested LKR 255,700/= towards our organic garden to obtain a yield worth LKR 680,000/=.

Our commitment to sustainability extends towards yet another of our valuable assets – our human capital. The exceptional expertise, industry insights and experience that our management and employees possess fuel our growth through aiding our focus on providing guests with an excellent service offering. As such, we conduct timely and appropriate training and development programmes to enhance the value of our people whilst offering them incentives in the shape of competitive remuneration, bonuses and other benefits. In addition to on the job training, we conduct English language classes as well as grooming sessions on behalf of our frontline employees. Meanwhile, we intensified our efforts towards protecting the health and wellbeing of our employees during the year under review.

Apart from the scenic beauty TFSL is reputed for, our impeccable culinary reputation far exceeds guest expectations. Our elegant restaurants are well-equipped to prepare and present authentic Sri Lankan dishes using fresh ingredients as well as an array of international dishes. During the year under review, we continued our focus on enhancing our culinary standards and matching guest evolving guest expectations.

FUTURE OUTLOOK

As our chairman revealed, the current unstable economic, social and political climate of the country remains a matter of concern. However, we are confident of our own resilience and that of the nation, having recovered from a multitude of challenges over the past. While we expect the country to stabilise with good governance and economic strategies in place, we will continue to focus heavily on our own strategic drivers of growth, anticipate and adapt to market changes and steer ahead with confidence on our path towards a more sustainable and profitable future.

ACKNOWLEDGEMENT

As we conclude a historically challenging year, I wish to extend my sincere gratitude to the Chairman and Board of Directors for their inspiring and insightful leadership. I am grateful to our employees, especially the frontline staff for their unwavering commitment and exceptional work ethics. TFSL, the tourist industry and the entire nation has had to endure great strife during the past few years, and the status quo remain challenging for the foreseeable future. As such, I am deeply grateful for the patronage of our esteemed guests and their trust in our ability to deliver on our promise of excellence in hospitality. We hope to welcome them back again in the year 2022 and beyond as we a nation continue to endure undaunted and rebuild.

Board of Directors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1. Mr. Dhammika Perera
2. Mr. K D H Perera
3. Mr. Sumith Adhihetty
4. Mr. Malik J. Fernando
5. Mr. Merrill J. Fernando
6. Mr. Jan Peter Van Twest


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7. Mr. L N de S Wijeyeratne
8. Mr. C V Cabraal
9. Ms. Kawshi Amarasinghe
10. Mr. C U Weerawardena
11. Mr. Eshana De Silva
12. Mr. R N Malinga

Board of Directors Contd'

Mr. Dhammika Perera
Chairman

Mr Dhammika Perera is a quintessential strategist and a business leader with interests in a variety of key industries including manufacturing, banking and finance, leisure, plantations, and hydropower generation. He has over 30 years of experience in building formidable businesses through unmatched strategic foresight and extensive governance experience gained through membership of the Boards of quoted and unquoted companies.

Mr Perera is the Chairman of Vallibel One PLC, Royal Ceramics Lanka PLC, Lanka Tiles PLC, Lanka Walltiles PLC, The Fortress Resort PLC, Vallibel Power Erathna PLC, Greener Water Ltd, Delmege Limited, and LB Microfinance Myanmar Company Limited. He is the Co Chairman of Hayleys PLC, The Kingsbury PLC and Singer (Sri Lanka) PLC. Executive Deputy Chairman of L B Finance PLC, Deputy Chairman of Horana Plantations PLC. He is also an Executive Director of Vallibel Finance PLC and serves on the Boards of Hayleys Leisure PLC, Haycarb PLC, Hayleys Fabric PLC and Dipped Products PLC. Also, a Director of Dhammika and Priscilla Perera Foundation.

Mr. K D H Perera
Managing Director

Mr.Harendra Perera is a Director of Vallibel Holdings (Pvt) Ltd, Vallibel Lanka (Pvt) Ltd, and is a Director of Several other Vallibel Companies. He is also a Director of Hayleys Leisure PLC.

Mr. Sumith Adhihetty
Director

A veteran Marketer who started his career as a trainee at KPMG Ford Rhodes Thornton & Company and later joined Mercantile Investments Limited, where he served for a period of 27 years. He is the Managing Director of L B Finance PLC and a Director of Vallibel One Limited and Pan Asia Banking Corporation PLC. He was formerly the Deputy Managing Director of Mercantile Investments Limited and served as a Director of Nuwara Eliya Hotels Limited, Grand Hotel (Pvt) Limited, Royal Palm Beach Hotels Limited, Tangerine Beach Hotels Limited, Nilaveli Beach Hotels Limited, Mercantile Fortunes (Pvt) Limited, Tangerine Tours Limited and Security Ceylon (Pvt) Limited.

Mr. Malik J. Fernando
Director

Mr. Malik Fernando was appointed to the Board of The Fortress PLC in 27th May 1999 as a Director. He is also a Director of La Forteresse (Private) Limited. Mr. Malik Fernando is a Director of MJF Holdings & Dilmah Tea, established by Merrill J. Fernando; Dilmah, named after his two sons Dilhan and Malik, was the first producer owned tea brand, offering tea picked, perfected and packed at origin. Dilmah is founded on a passionate commitment to quality and authenticity in tea, it is also a part of a philosophy that goes beyond commerce in seeing business as a matter of human service.

Mr. Malik Fernando is also the Managing Director of Resplendent Ceylon, which is developing a circuit of small luxury resorts around Sri Lanka. Mr. Malik Fernando has a BSc in Business Management from Babson College in the US.

Mr. Merrill J. Fernando
Director

Mr. Merrill J. Fernando was appointed to the Board of The Fortress Resorts PLC on 27th May 1999. He is also a Director of La Forteresse (Private) Limited. He is the Chairman of MJF Holdings Limited and one of Sri Lanka's first tea tasters in the then British-dominated trade. He is the founder of "DILMAH TEA" brand name which relaunched, redefined and re-established the quality of Ceylon tea. DILMAH is now, a much respected global name, renowned for its quality and the philosophy of caring and sharing behind the brand.

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

Mr. Jan Peter Van Twest
Director

Mr. Jan Van Twest counts over 42 years of experience in the hospitality industry in senior Management positions in Sri Lanka, Europe, Australasia and the South Pacific. He graduated from the Ceylon Hotel School, Sri Lanka, in Hotel & Catering Operations and Advanced Hotel and Catering Operations from the Carl Duisburg Centre in Munich, Germany. He is a certified Hotel Trainer with the Chamber of Commerce for Munich and Upper Bavaria. He is also a graduate of the Technical University of Munich. He is presently, a Director of Hotel Services Ceylon PLC and Summer Seasons Limited.

Mr. L N de S Wijeyeratne
Director

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

Mr. C V Cabraal
Director

Chatura V. Cabraal is a Graduate (with Honours) in Mechanical Engineering (BSc.) with a focus in manufacturing and design from the Missouri University of Science and Technology, USA. He is currently working for CHEC Port City Colombo (Pvt) Ltd. as Senior Manager – Estate Management.

Mr. Cabraal serves as a board member on the Export Development Board of Sri Lanka. He also serves on the boards of Kelani Valley Plantations PLC, Renuka City Hotels PLC and Vallibel Power Erathna PLC. He previously worked at Brandix Lanka (Pvt) Ltd as a Sustainability Engineer (2011- 2014) in the Energy and Environment Department. He began his career in 2010 as a Management Trainee at John Keells Hotel Management Services.

Ms. Kawshi Amarasinghe
Alternate Director to
Mr. Dhammika Perera

Ms. Kawshi Amarasinghe currently serves as Group Director - International Business Development and CSR at Vallibel One PLC. Prior to joining Vallibel One, Ms Amarasinghe was attached to World Conference on Youth Secretariat at Ministry of Youth Affairs and Skills Development in Sri Lanka, as a Manager. Earlier in her career, she served as an intern at Strategic Policy Division at Department of Community Safety in Queensland, Australia. Ms. Amarasinghe earned a bachelor's degree in International Studies from University of Queensland in Brisbane, Australia and a specialisation in French Studies at University of Lausanne in Switzerland. She received her certificate in Management Acceleration Program from INSEAD Business school in Fontainebleau, France. In addition, she holds a certificate in Hotel Revenue Management from Cornell University in USA.

Mr. C U Weerawardena
Director

Mr. Chethiya Umagiliya Weerawardena is an entrepreneur with 17 years' experience in the Gem Industry and has business interests in Real Estate. He holds a Diploma in Business Management from the University of Macquarie Sydney, Australia.

Mr. Eshana De Silva
Director

Eshana de Silva is the Chairman of National Development Bank PLC and was the Chairman of the Pan Asia Banking Corporation PLC 2016 – 2017.

He is the Honorary Consul of the Republic of Kazakhstan in Sri Lanka since 2011.

He held several positions in the state sector; Board Member of the Board of Investment (BOI) and Sri Lanka Ports Authority (SLPA), as well the Chairman of the Board of Investment Audit Committee of SLPA and the Chairman of Sri Lanka Agri Business Corporation.

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

Formerly the Director/CEO of Spiceco Limited and Port Cargo Clearing (Pvt) Ltd, Director of Esna Power (Pvt) Ltd, Esna Insurance Brokers (Pvt) Ltd, Esna Ceylon Teas (Pvt) Ltd, Esna Ventures (Pvt) Ltd, Beta Power (Pvt) Ltd, Joule Power (Pvt) Ltd, McMarine (Pvt) Ltd, Mount Royal Industries (Pvt) Ltd, and Mountbatten Lands (Pvt) Ltd, Chairman of Shermans Transport (Pvt) Ltd., and Esna Exports (Pvt) Ltd.

He is a Member of Young Presidents Organisation (YPO) and has been in the Committee as well and a Member of the Institute of Certified Professional Managers (MCPM), Associate Member of the United Kingdom Association of Professionals (AUKAP-UK), and holds a Certificate in Global Diplomacy - University of London/SOAS University of London.

Winner of the Global Commerce Excellence Award 2011 in recognition of supporting the Sri Lankan Economy during the period 1985 – 2009.
Since 15th February 2021, he has been appointed by the University Grants Commission as a Council Member of the University of Moratuwa.

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

Mr. R.N. Malinga was appointed to the Board of The Fortress PLC as the Alternate Director to Mr. Malik J Fernando. He is a senior finance professional with over 23 years of experience, including 18 years within MJF Group of Companies. He is currently the General Manager Finance of MJF Group, overlooking tea and leisure sectors. Mr. R.N. Malinga is a fellow member of the Institute of Chartered Accountants of Sri Lanka, Institute of Certified Management Accountants of Sri Lanka. He also has a MBA from the University of Colombo and BSc in Business Administration from the University of Sri Jayawardenapura.

Management Discussion and Analysis

OPERATING ENVIRONMENT

The following report presents in detail the global and local macroeconomic backdrop as well as the key performance indicators of The Fortress Resort PLC (TFR) during the financial year ended 31st March 2022, in an effort to provide our stakeholders a comprehensive analysis of the Company performance, ongoing challenges, and our response and future prospects. The report falls in line with the Company's unwavering commitment towards upholding the highest standards of corporate governance, transparency and accountability in our consistent efforts to create sustainable value to all stakeholders, and allow each stakeholder group ample information with regard to TFR's operational and financial status quo and future prospects.

Global Context – World Economy

Global economic recovery continued in 2021 albeit at a slower pace, interrupted by the emergence of recurring waves of COVID-19 pandemic, in particular the highly transmissible Delta variant. In its January 2022 report, the World Bank estimates global growth for 2021 to have surged at 5.5 percent, mainly driven by the relaxation of lockdowns in a large number of countries. However, the recurring waves of the COVID-19 pandemic, especially in critical links of global supply chains, created supply chain disruptions, triggering inflation in a number of countries.

Meanwhile, overall risks to economic prospects have surges; while policy tradeoffs have become more complex. While advanced economies indicate signs of recovery following strong vaccination drives, emerging markets and developing economies are experiencing fragile recoveries driven by inadequate policy responses and slower vaccination progress. The World Bank reports that the spillover effects of the pandemic will have a negative impact on physical and human capital of emerging markets and developing countries.

Global Context - Global Tourism

UNWTO estimates that global tourism indicated an upturn of 4% in 2021. Nevertheless, international tourist arrivals are yet to reach the pre-pandemic levels with overnight visitors still at 72% below the levels recorded in 2019 (pre-pandemic). While international rebounded moderately during the second half of 2021, the surge in the Omicron variant seem to have affected recovery with limited data indicating a decline of 62% in tourist arrivals in December when compared to pre-pandemic levels.

Recovery has been slow and varied across various regions across the world. Tourism rebounded in Europe and Americas at a rate of 19% and 17% respectively, which was still 63% below pre-pandemic rates. The Caribbean witnessed a strong rebound with a 63% growth in arrivals in comparison to 2020. However, the growth was still 37% below the statistics from 2019. Both Southern Mediterranean Europe and Central America experienced a considerable increase in tourist arrivals with indicating 57% and 54% growth respectively when compared to 2020. Meanwhile, tourist arrivals in North America and Central Eastern Europe recovered by 17% and 18% respectively. Tourist arrivals in Africa grew by 12% compared to 2020. However, the trend in the Middle East indicated a decline of 24% when compared to 2020. In Asia and the Pacific region tourist arrivals decreased by 65%, with many destinations still closed for non-essential travel.

According to the figures presented by the UNWTO, the economic contribution of tourism during 2021 was at US$1.9 trillion compared to the US$1.6 trillion in recorded in 2020. The figures indicated a slightly higher spending per trip in comparison to 2020.

The available statistics of tourist arrivals and spending for 2021 reveal a hopeful trend albeit at a slower pace. Nevertheless, the economic woes, the war in Ukraine and geopolitical tension still seem to hamper a return to pre-pandemic levels.

UNWTO experts predict better prospects for 2022 and beyond stemming from comprehensive vaccination rollouts, return of traveller confidence; fewer travel restrictions and more coordinated and transparent information on travel protocols.

Meanwhile, domestic tourism continued to drive recovery in some destinations, especially in the large domestic markets. Experts predict that nature based activities, rural tourism and open-air activities will take precedence in driving tourism in the near future.

The Sri Lankan Context - Economy

The Sri Lankan economy faced an exceptionally challenging period during the year under review with unsustainable debt and balance of payment crisis creating a distressful macroeconomic status quo.

Real GDP of the country grew by 3.5% with a robust year on year growth of 12.3% illustrating a recovery in the second quarter of 2021. The pandemic as well as socioeconomic uncertainties contributed to low earnings from tourism. However, the export sector, in particular textile industry performed exceptionally well.

However, the increase in imports of intermediate and capital goods offset the growth in exports, while year-on-year inflation increased to 17.5% by February 2022, mainly driven by high food inflation (24.75%), fuel price adjustments and high global commodity prices.

In spite of the export earnings and restrictions imposed on non-essential goods, Sri Lanka's trade deficit rose to USD 8.1 billion in 2021 from USD 6 billion in 2020. The country's remittance receipts dropped by 22.7 percent while tourism receipts decreased by 61.7%, triggered by intense political instability and the prevalent pandemic.

Sri Lanka's fiscal deficit remained at 11.1% of GDP during 2021 while public and publicly guaranteed debt rose to 117 percent of GDP.

The net foreign assets of the banking system decreased to US$ -4.9 billion as at December 2021, revealing the growing foreign exchange liquidity shortages.

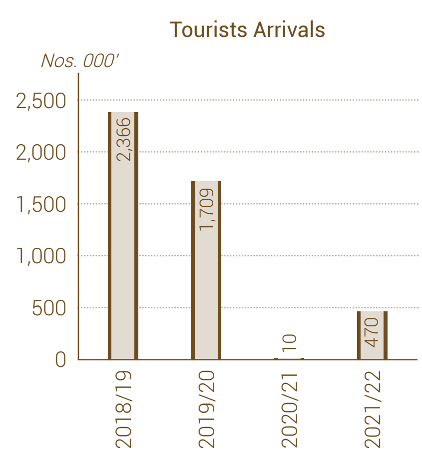
The inevitable repercussions of the COVID-19 pandemic continued to negatively impact the tourism industry as well as the hospitality and leisure segment during the year under review. While the widespread vaccination rollouts, border control relaxations as well as health and safety protocols introduced allowed to ease the burden to an extent, tourist arrivals are yet to reach the pre-pandemic levels.

The latest tourism data indicate a gradual increase of tourist arrivals in the country, reflecting a positive growth rate compared to the figures presented in 2020. The below chart illustrate a comparison between tourist arrivals between the year under review and the corresponding periods during the previous financial year.

Month	2021/2022 Tourist Arrivals	2020/2021 Tourist Arrivals
April	4,168	0
May	1,497	0
June	1,614	0
July	2,429	0
August	5,040	0
September	13,547	0
October	22771	0
November	44,294	0
December	89,506	293
January	82,300	1,682
February	96,507	3,366
March	106,500	4,581
Total for the year	**470,173**	**9,922**

The data reveal a slow yet positive increase in tourist arrivals as the financial year progressed.

Meanwhile, Sri Lanka Tourism data indicate that the largest source market for the month of December 2021 to be India, Russia, the United Kingdom, followed by Germany and Ukraine. Tourism data further reveal that a total of 56,268 Indian tourists visited Sri Lanka in 2021, while 16,894 Russian visitors arrived during the same year. Tourist arrival numbers from the United Kingdom, Germany and Ukraine are respectively 16,646, 12,442 and 7,037.



However, the Chinese source market which was the second largest pre-COVID is yet to recover with merely 2,417 visitors arriving in Sri Lanka.

Company Performance

The financial year 2021/22 was an exceptionally challenging year for The Fortress Sri Lanka (TFSL). While we obtained the safe & secure operating status from SLTDA in February 2021 as a level one hotel which can cater only to foreign guests, arrivals and occupancy rates were low during the first half of the year. TFSL began welcoming foreign guests from February 2021, however, number of factors including the complicated and arduous prerequisites to travelling in Sri Lanka discouraged guest arrivals. Nevertheless, room occupancy rates increased during the second half of the year with the relaxation of prerequisites for traveling in Sri Lanka including allowing fully vaccinated tourists to visit the country without presenting PCR test results.

As TFSL obtained the level one safe & secure operating status from SLTDA, we were not able to welcome local guests to the hotel. As such, we were not able to capitalise on the influx of local travellers during the first two quarters of the year. However, the level one operating status enabled TFSL to earn foreign currencies to build a short-term cash flow.

Managing the Company's operational cash flow was a crucial aspect of our business operations during the year under review as earnings dwindled with the low level of guest occupancy and tourist arrivals. TFSL had to rely on interest income from fixed deposits to maintain the cash flow. Moreover, the moratorium extension introduced by the Central Bank allowed the hotel to manage loan liabilities while working capital loan extensions at 4% interest rates mitigated cash flow challenges in the short term.

As COVID-19 restrictions and periodical border closures and lockdowns eased guest arrivals picked up pace. Leveraging on the opportunity, TFSL offered incentive packages to tourists to increase room occupancy.

TFSL's promotional campaigns focused intensely on communicating the hotel's COVID-19 protocols to potential foreign guests as well as special promotional offerings communicated via digital and social media platforms. Meanwhile, we reached out to a wider market (especially tourists from the UK, Germany, Italy and France) through partnering annual tourist brochures as well as tour operators.

During the year under review, easing of COVID-19 restrictions and our strategic marketing efforts allowed TFSL to increase profit after tax by 119% at LKR 33.1 Mn when compared to the loss of LKR 175.6 Mn recorded during the previous year. The hotel's revenue went up by 365% at LKR 349 Mn. TFSL's earnings per share increased marginally to 0.30 percent during the year under review.

Room occupancy rate for the year grew by 14% recording a 24% occupancy rate for the year under review in comparison to 10% recorded during the previous financial year.

The below table depict a breakdown of revenue growth comparison between the financial year 2021/22 and 2020/21:

	2021/2022	2020/2021	Change %
Room revenue (Rs)	206,042,940	36,129,628	Up by 471%
Food revenue (Rs)	91,122,972	25,438,165	Up by 258%
Beverage revenue (Rs)	28,077,967	6,017,251	Up by 367%
Spa revenue (Rs)	12,777,270	3,367,207	Up by 279%
Sundry revenue (Rs)	11,146,068	3,713,581	Up by 200%
Other income and gains (Rs)	23,826,747	696,949	3319%

The below table depict a comparison of room occupancy rates between the financial year 2021/22 and 2020/21:

Month	2021/2022 Room nights	2020/2021 Room nights	Change %
April	368	0	-
May	92	0	-
June	77	11	Up by 600%
July	140	180	Drop by 22%
August	7	243	Drop by 97%
September	39	282	Drop by 86%
October	203	240	Drop by 15%
November	409	0	-
December	838	297	Up by 182%
January	778	273	Up by 185%
February	746	154	Up by 384%
March	939	264	Up by 255%
Total for the year	4636	1944	Up by 138%

While the recovery rate appears to be exponential, in reality it illustrates a slow recovery if the drastic downturn that we experienced during the year 2020/21.

Nevertheless, TFSL witnessed a fair growth in guest occupancy between November 2021 to March 2022, mirroring the fair growth in occupancies and revenues similar to other industry peers. Meanwhile, TFSL was able to maintain a commendable occupancy rate of 50% to end the financial year recording an occupancy rate of 25% compared to the 10% occupancy recorded in 2020/2021.

FUTURE OUTLOOK

In view of the prevailing economic and political instability in the country, predicting future prospects has become extremely challenging. While TFSL remain hopeful of a steady recovery of political stability, we will continue to strategise accordingly to attract guests, grow business opportunities and create sustainable value for all stakeholders.

TFSL's growth strategies for the year 2022 and beyond pivots on a multi pronged approach that looks to identify niche markets and reach out to the relevant audience via social media platforms as well as nurturing our various partnerships such as accommodation contracts with Kuoni, DER, MIERS, FIT RIESEN and promotional partnership with SLH (Small Luxury Hotels of the World) to sustainably grow our reach.

Meanwhile, we will look into widen our reach to the Indian market with special focus on the wedding industry.

Sustainability Review

The sustainable strategy of The Fortress Resorts and Spa is geared to consistently create value for all stakeholders with focus on our economic, social and environmental impact. Our six capital outlook combines this threefold impact to remain accountable, transparent and sustainable while growing in tandem with our future goals. We monitor our sustainability initiatives through obtaining clear metrics from our financial, manufacturing, social and relationship, human, natural and intellectual capital targeting future optimisation.

Capitals	Definitions	Inputs	Output	Value created
Managing funds – Financial capital	Economic resources that fund business operations and enable expansion, property acquisition and ultimately value creation.	• Shareholder funds • Retained earnings • Credit facilities from financial institutions	• Liquidity • Profitability	• Economic value • Brand value • Shareholder value
Utilising infrastructure – Manufactured capital	Income generating infrastructure.	• Hotel buildings • Plant and machinery • IT infrastructure • Furniture and fittings	• Better return on investments • Customer satisfaction	• Increased profitability • Improvement of efficiency and productivity • Brand image building
Enriching skills – Human capital	Knowledge, expertise, skills and wisdom of the people of the organisation.	• Skills and • Knowledge • Development • Health and safety protocol • Workforce Compensation and incentive plans • Workforce demographics and diversity	• Remuneration and recognition • Skilled workforce • Safe and conducive work environment	• Enhanced intellectual capital • Satisfied workforce • Committed employees that create value for customers
Nurturing relationships – Social and relationship capital	Stakeholder engagement, information sharing and strengthening relations with both customers and business partners.	• Customer engagement • Robust communication with business partners • Community engagement	• Positive customer and business partner experiences • Meeting stakeholder expectations • Building a positive relationship with the community	• Enhanced brand reputation • Enhanced business partner and customer confidence • Long-term profitability
Intangible assets – Intellectual capital	Knowledge, industry expertise and intellectual properties that allow the organisation to gain a competitive edge	• Knowledge • Guests' data profiles • Employee and Management Experience in the hospitality industry	• Enhanced customer satisfaction • Enhanced brand image as a luxury boutique hotel	• Improved customer confidence • Enhanced brand reputation • Long-term profitability • Operational sustainability
Preserving nature – Natural Capital	The world's ecological assets.	• Adopting energy efficient measures • Water and energy conservation • Emission and waste management strategy	• Contribution to environmental sustainability • Internalised sustainability approach	• Enhanced brand reputation • Sustainability of operations • Long-term profitability

FINANCIAL CAPITAL

During the first half of the financial year, TFL had to endure a significant loss amounting to LKR 100 Mn as a result of the COVID-19 pandemic related downturn which saw tourist arrivals dwindling across the country. As a result, the hotel's retained earnings and shareholder funds were negatively impacted. In view of the cash flow challenges emerging from limited earning opportunities, repayment of borrowings became a challenge, which we managed to mitigate through obtaining a loan moratorium from the Bank of Ceylon. Meanwhile, import restrictions imposed on food items continued to pose challenges to the operational integrity of TFR.

Maintaining our pre-pandemic pricing strategy proved to be difficult given the economic downturn as well as pandemic driven reluctance of travellers. As such, we introduced a new introductory pricing package along with special value added offers to attract a larger portion of the market. TFR introduced a number of discounted proposals up to 30% to foreign tour operators.
While room occupancy picked up pace in the second half of the financial year, operational expenses were higher than average with COVDI-19 prevention standards and equipment as well as the high cost of consumable affecting operational efficiency.

OPERATING EXPENSES

	2022	2021	Change
Cost of sales	109,416,338	66,032,324	Up by 66%
Advertising & Marketing	12,920,205	9,519,870	Up by 36%
Administrative expenses	243,821,570	235,264,228	Up by 3%
Finance cost	11,735,673	15,711,408	Down by 25%

Nevertheless, TFR successfully navigated the challenging environment to turn around the less than desirable yet inevitable performance of the previous year with recording PAT of LKR 33 Mn in sharp contrast to the loss of LKR 175.6 Mn recorded during the previous year.

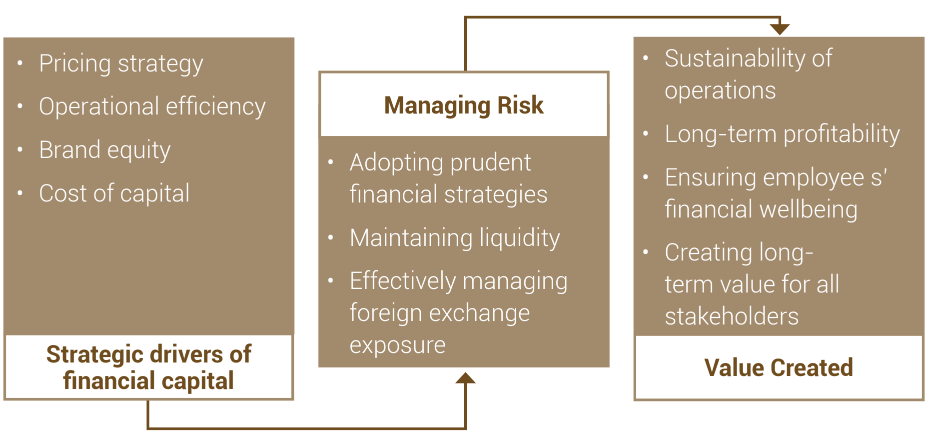
The below table illustrate the overall financial performance of the Fortress Resort and Spa for the financial year 2021/22:

Earnings Highlights and Ratios		2022	2021
Revenue	Rs'000	349,167	74,666
Earnings/(Loss) before interest and tax (EBIT)	Rs'000	39,019	(166,900)
Group profit/(loss) before tax (PBT)	Rs'000	27,283	(182,611)
Group profit/(loss) after tax (PAT)	Rs'000	33,049	(175,606)
Group profit attributable to the shareholders	Rs'000	31,887	(174,901)
Earnings/(loss) per share (EPS)	Rs.	0.30	(1.58)
EPS Growth	%	119	(700)
Interest cover	No of times	3	(16)
Return on Equity	%	2	(11)
Pre-tax ROCE	%	2	(11)

Earnings Highlights and Ratios		2022	2021
Balance Sheet highlights and ratios			
Total assets	Rs'000	1,919,266	2,030,858
Total debt	Rs'000	82,705	225,643
Total shareholders funds	Rs'000	1,628,664	1,596,776
No. of shares in issue	Number	110,886,684	110,886,684
Net assets per share	Rs.	14.69	14.40
Debt/Equity	%	5	14
Debt/Total assets	%	4	11
Operational information			
Average occupancy	%	24%	10%
Number of room nights sold	Room nights	4636	1,944
Room revenue	Rs'000	206,042	36,130
Average room rate (ARR)	Rs.	44,444	18,585
Revenue per occupied room	Rs.	81,877	38,767
Net profit per room	Rs'000	623	(3,300)

With the severity and the restrictions imposed as a result of the COVID-19 pandemic slowly, receding, we expect a further rebound of tourist arrivals if the country succeeds in successfully navigating the current economic, political and social crisis.

Meanwhile, we amalgamate identified strategic drivers of financial capital to our core value creation efforts, and use sound risk strategies to preserve value and seek operational sustainability.

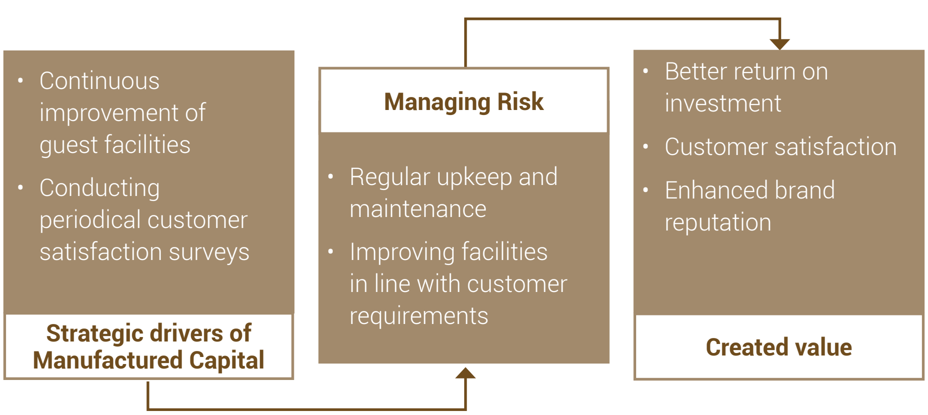


MANUFACTURED CAPITAL

The Manufactured Capital of TFR plays an integral role in our value creation process as the hotel's properties, furniture, fittings, IT infrastructure and other assets are directly linked to the hotel's ability to satisfy guests and generate social, economic and environmental value. The below table illustrate TFR's manufactured portfolio including the value of physical assets.

Asset Category	2022 Rs,	2021 Rs,
Land	359,721,000	359,721,000
Building - Hotel	654,253,939	682,789,992
Admin Building	50,762,558	52,875,471
Plant and Equipment	1,747,134	2,089,069
Furniture and Fittings	53,741,393	64,570,195
Fixtures and Fittings	37,231,877	39,484,587
Computer Equipment	3,302,008	4,559,266
Telephone Equipment	220,490	344,650
Kitchen Equipment	440,028	1,625,577
Electrical Equipment	32,993,535	42,650,976
Linen and Furnishing	2,672,450	2,738,573
Cutlery and Crockery	-	36,595
Other Equipment	4,446,357	1,489,087
Air Conditioners	2,005,545	2,826,898
Motor Vehicles	2,688,704	10,297,490
Total Assets	**1,206,227,320**	**1,268,099,427**

During the year under review, TFR acquired property, plant and equipment to the aggregate value of Rs. 11,432,150/- (2021 - Rs. 21,020,611/-). Meanwhile, cash payments amounting to Rs. 11,432,150/- (2021 - 21,020,611/-) were made during the year for purchase of Property, Plant and Equipment.



The below table illustrate the new additions to the Manufactured Capital during the financial year 2021/22:

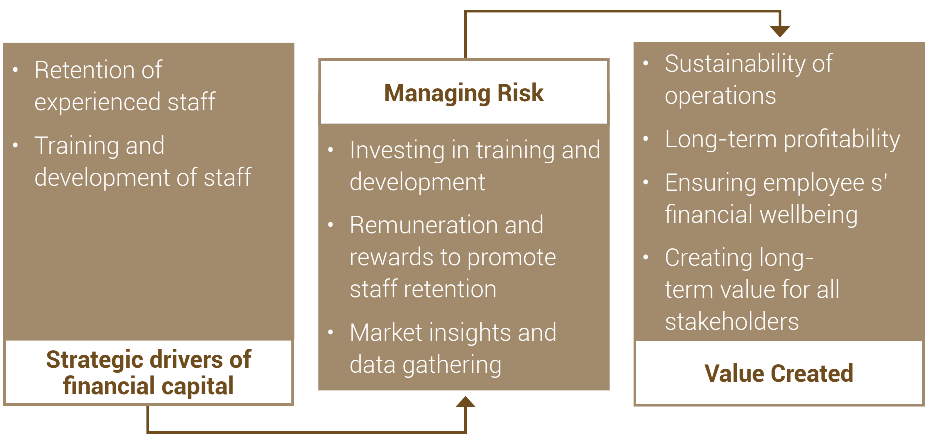
Furniture and Fittings	56,400
Fixtures and Fittings	4,922,175
Computer Equipments	439,522
Telephone Equipments	156,590
Kitchen Equipments	7,999
Electrical Equipments	224,465
Linen and Furnishing	1,737,638
Other Equipments	3,834,951
Air conditioners	52,410

As a luxury boutique hotel that cater to discerning customers, TFR remains committed to maintaining high standards of our buildings, furniture, equipment and land whilst also maintaining energy and cost efficiency as well as the environmental impact of such endeavours. During the year under review, cash flow challenges posed a threat to the necessary refurbishing and maintenance projects. The hotel could ill-afford to discontinue annual maintenance and upkeep in view of the fact that the property is exposed to the sea breeze and salty environment. However, through prudent financial management and prioritising, we were able to maintain the integrity of our manufactured capital during the financial year 2021/22.

INTELLECTUAL CAPITAL

In the age of information and expertise driven business success, intellectual capital can be the linchpin of organisational success. As a luxury boutique hotel with a unique offering as a beachfront property, the knowledge, expertise, experience and insight driven approach to hospitality make up TFR's Intellectual Capital. Our Intellectual Capital merges with Human Capital through employee proficiency, training, knowledge, work ethics and experience. As such, we place great emphasis on training and development of our employees. During the year under review, we unfortunately lost a large number of experienced staff as some sought employment overseas while a number of others changed industries due to the challenges that arose with the COVID-19 pandemic.

However, TFR will continue to intensify focus on training and development of experienced staff as well as facilitating the knowledge acquisition (hotel systems and procedures) of new recruits.



HUMAN CAPITAL

Our Human Capital is the focal point of our intellectual capital. Mindful of this fact, we consistently provide ample opportunities to our staff for knowledge acquisition, refining skills and training. At the same time, we provide incentives to our staff through timely rewards, recognition and remuneration. In developing out human capital, we simultaneously create economic and social value in line with our pursuit of sustainable growth.

The Fortress Resort and Spa is an equal opportunity employer, and we do not discriminate against anyone based on gender, ethnic background or religious views. TFR complies strictly with child labour laws.

Creating a conducive work environment is one of our key focuses in strengthening our Human Capital. In line with this, we conduct fair and transparent annual performance reviews to offer contract based employees permanent work opportunities and provide necessary salary increments, commissions and rewards to all members of the staff. In addition, we provide a number of benefits such as insurance policies with family coverage, career development opportunities and training.

In spite of the testing operational environment, our focus on employee welfare did not waver, and TFR organised a plethora of staff and family oriented activities including staff trips, interdepartmental sports activities, traditional events and staff parties to engage employee interest.

Moreover, we periodically conduct occupational health and safety audits to determine the relevance of the prevailing H&S practices. We provide frequent training to our employees on occupational health and safety as well as firefighting and evacuation training. During the year under review, we conduct COVID-19 prevention protocol awareness drives targeting our employees.

The below tables present a detailed picture of our employee demographic:

	2021/22
No. of employees	161

Age Category	Total No.	M	%	F	%
18-20 years	07	07	100%	-	-
21-30 year	41	32	78%	9	22%
31-40 year	39	29	75%	10	25%
41-50 years	55	52	94%	03	6%
51-55 years	13	13	100%	-	-
56 years and above	6	05	83%	1	17%
Total	**161**	**138**	**85%**	**23**	**15%**

No. of years of service	Total No.	M	%	F	%
0 - 5 years	76	64	85%	12	15%%
6 -10 years	48	40	83%	8	17%
11-15 years	23	21	91%	2	9%
16-20 years	14	13	92%	1	8%
21 years and above		-		-	
Total	**161**	**138**	**85%**	**23**	**15%**

M	%	F	%
138	85%	23	15%

Sustainability Review Contd'

Grade	F	%	M	%
Executive	5	14%	29	86%
Clerical & Allied	7	63%	4	37%
Supervisory/Technical	3	87%	8	13%
Semi Skilled/ Skilled	5	8%	72	92%
Trainee/ Unskilled	3	10%	25	90%
Total	23	85%	138	15%

Type of employment	Female	Male	Female- %	Male - %
Permanent Staff	15	101	9%	91%
Contract Staff	05	25	16%	84%
Trainee	03	12	20%	80%
Internships	-	-	-	-
Total	23	138	15%	85%

Age	Total No.	M	%	F	%
18-20 years	7	7	100%	-	-
21-30 year	31	22	70%	9	30%
31-40 year	4	4	100%	-	-
41-50 years	5	4	80%	1	20%
51-55 years	1	1	100%	-	-
56 years and above	5	4	80%	1	20%
Total new hires	53	42	79%	11	21%

M	%	F	%
28	90%	3	10%

Key areas of focus	No of Sessions
Management & Supervisory Skills	02
Customer Service & Service Standards	06
Food Hygiene & Food Safety	01
Time & Motion Studies (on the Job)	06
First Aid Training	01
Fire Safety Training	01
Induction Training for new recruits	01
Training the Trainer	01

- Experience and knowledge of staff members
- Training and development

Strategic Drivers of Human Capital

Managing Risk

- Nurturing employee relations with timely rewards and recognition
- Creating a healthy working environment and following health and safety standards

- Delivering better social and relations hip capital
- Enhanced brand image
- Long-term profitability and operational sustainability

Created Value

SOCIAL AND RELATIONSHIP CAPITAL

Nurturing Social and Relationship Capital is an integral aspect of TFR's pursuit of creating a positive economic and social impact. Our long-term profitability and operational integrity hinges on our investment in our relationships with customers, business partner's and society at large. The brand reputation we have built over the years through nurturing our various connections and engagements with customers, business partners and society at large gives us the social license to create economic, social and environmental value.

Customer Relations

Robust customer relations are part and parcel of our business operations. As such, we readily employ our human, financial and intellectual capital to understand and cater to our customer requirements in a transparent and accountable manner to enhance our social and relationship capital. On a regular basis, approximately 10% of our guests are repeat guest who visit TFR annually. During the year under review, we continued to maintain and update our customer data base with necessary information to maintain good rapport with guests.

Business Partner relations

TFR maintains business partner relationships through employing a number of communication channels. We have allocated separate Business Development Members to the team to communicate and engage business partners such as foreign travel agents/ tour operators, local travel agents/ DMCSs (destination management companies) as well as corporate entities. During the year under review, we participated in a number of travel fairs including the ITB Berlin, WTM London and ILTM Cannes. In addition, we continued our contribution to the brochure sales and marketing campaigns of a selected number of travel fairs:

- KUONI Indian Ocean brochure
- MIERS, DER Sri Lanka and Maldives brochure
- TUI, FTI brochures
- FIT Riesen Aurvedha Brochure

Shareholder Relations

The registrars' section of the company secretary plays a key role in effectively managing shareholder relations. Quarterly financial statements, the Annual General Meeting, and the Annual Reports are the tools utilised to maintain communication channels with shareholders. The hotel communicates other important messages to shareholders through publishing such matters in the CSE website.

Social Relations

During the year under review, we continued to promote and maintain our social and community engagement projects listed below:

- Assisting local handicraft artisans to sell their work at the hotel gift shop
- Assisting the stilt fishermen in the local area through displaying their daily work to hotel guests
- Assisting local cultural performers through organising weekly performances
- Assisting other local artists through allowing them to entertain hotel guests
- Supporting the school children in the nearby village through the provision of books, clothing and necessary sanitary material
- Donating annual school book vouchers to children of staff members

Strategic Drivers of Social and Relationship Capital

- Transparent and regular engagement of stakeholders
- Marketing and sales efforts

Managing Risk

- Maintaining robust communication channels
- Investing in enhancing customer, business partner and community relations

Created Value

- Enhanced brand reputation
- Profitability
- Operational sustainability

NATURAL CAPITAL

As a key player in the hospitality industry our Natural Capital is yet another valuable aspect of our ability to create not only environmental value but also economic and social value. Our environmental sustainability approach pivots on our commitment to water, energy and waste management efforts as we aim to reduce our carbon footprint.

Water Management Strategy

During the year under review, we took a number of practical steps to minimise water consumption and wastage.

While we conducted several awareness sessions for TFR staff on water management, we implemented a number of other strategies as well to minimise wastage of water:

- Introduction of push button taps for all staff areas in the hotel
- Adjusting water pressure in all areas during low occupancy periods
- Reusing the treated water for gardening purposes

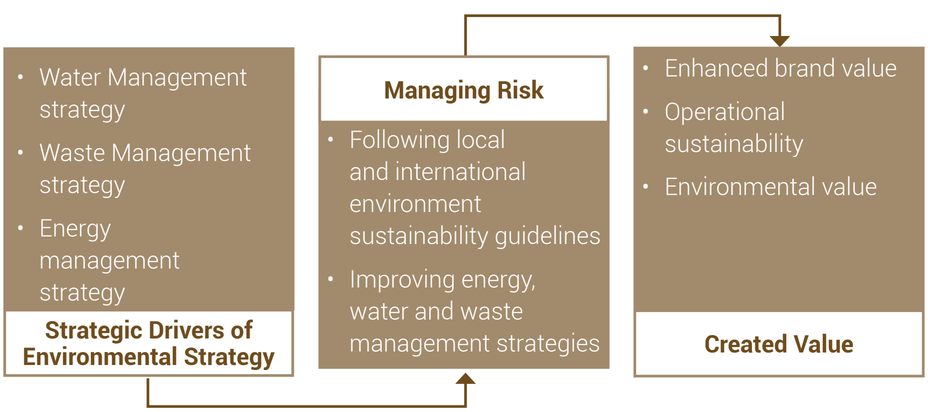
Energy Management strategy

TFR rely on non-renewable energy sources such as LPG, electricity and Diesel for day to day operations. As such, our energy management focus looks to reduce consumption of such resources through employing various strategies:

- Use of LED bulbs in all the areas of the hotel (including guest rooms) in order to minimise hotel electricity consumption.
- Switching off all the lights in garden and other public areas of the hotel by 6 am daily (automated sysyetm)
- Introduction of solapowered lighting in the garden area
- Introduction of solar panels for hot water generation in the service building area to be utilised during low occupancy periods to minimise reliance on diesel fuel.
- Introduction of an efficient laundry system geared to reduce energy consumption

Waste Management Strategy

As a luxury boutique hotel that caters to a large customer base on a yearly basis we produce a large quantity of waste on a daily basis. As such, TFR manages and maintains a separate waste water treatment plant to purify waste water, which then is used for gardening purposes. We segregate waste into four categories (plastic, paper, glass, and kitchen wet waste), and rely on a CEA (Central Environment Authority) certified service provider to dispose of and repurpose waste in a harmless manner. In addition, we rely on the services of a specialised supplier with a license from the CEA to dispose of e-waste without harming the environment.



Risk Management

THE GROUP REMAINED EXTRA VIGILANT IN MANAGING HEIGHTENED LEVELS OF RISKS, AS THE BUSINESS ENVIRONMENT CONTINUED TO BE UNCERTAIN AND CHALLENGING.

The establishment of a solid risk management framework that sets in place dynamic and flexible process and systems to proactively identify and mitigate risks and to protect assets from external threats, is critical in driving resilience, creating value and ultimately retaining stakeholder confidence. The hotel has understood this imperative and works to strengthen its control framework.

RISK MANAGEMENT PROCESS

The hotel is guided by The Fortress Resorts PLC (Parent) Sustainability and Risk Management division. Standardised risk management tools and techniques are used across all properties.

The risk management process is carried out through an online Enterprise Risk, Audit, and Incident Management platform that maintains a live and dynamic risk register for the group. This provides a comprehensive assessment of the Group's risk profile, delivering metrics that support identification and management of material issues and principal risks faster and more proactively.

Increasing complexity and uncertainty increases the associated risk and the difficulties in risk identification and management. However, these technologies act as a potent tool in enabling the Board and Management to gain access to required insights for strategic and informed decision-making.

Managing risk is a key aspect of the Board's stewardship obligations. The Board is assisted in the discharge of duties by the Audit Committee.

The hotel Business Process Review division together with the outsourced Internal Auditors supports the Audit Committee in performing its assurance role through regular reviews and recommendations on the robustness of the internal control systems in place.

Responsibility for effective execution of risk management at executive level lies with the Hotel Risk Management Committee comprising of the Director/General Manager, Managing Director, Chief Financial Officer and operational managers fostering a high level of risk awareness across the organisation.

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

Risk Management Contd'

Key risks are highlighted bellow.

Risk Factor	Potential Impact	Mitigating Actions
1. Global Pandemic Outbreak		
Description International travel restrictions, imposition of travel advisories against Sri Lanka and local travel restrictions.	Lower tourist arrivals places pressure on average room rates, squeesing margins and reduce profits.	• Introduction of COVID-19 safety guidelines to the hotel and head office. • Establishment of protocols as per the Business Continuity Plans on action to be taken in the event of an active case within a business unit. • Follow the latest guidance and recommendations of Government, global and local health officials on implementation of appropriate health and safety measures for staff and guests, to curb the spread of disease at other places. • Re-assure employee and existing and potential guests of the Hotel's commitment to safety and wellbeing, through a dedicated page on the hotel website. • Analyse the cost structure of the operational model and progress towards a variable cost base as much as possible as opposed to fixed costs.
2. Threat from Terrorism and Civil Unrest		
Description Possible attacks on civilians and economic targets by terrorists may lead to civil unrest and imposition of travel advisories against Sri Lanka.	• Loss of Revenue due to tourists choosing alternate travel destinations. • Property damage • Loss of staff, guests, patrons	• Establishment of protocols as per the BCP on action to be taken in such an event. • Appointment of Vigilance Officers at each location and establishment of reporting protocols. • Establishment of direct link with local intelligence for information on potential risks. • Review/implementation of Emergency Response Plans for armed intrusions/hostage/handling/isolation/bomb threat
3. Brand reputation impact		
Description Events that could negatively affect Hotel's reputation and relationships with key stakeholders.	• Negative online guest comments. • Food poisoning incidents. • Adverse impact on brand positioning.	• Training and development of staff. • Conduct of compliance audits/Brand audits. • Brand positioning, development and marketing. • Establishment of a Crisis Communication Plan/Team and Spokesperson.
4. Guests/Staff Health and Safety		
Description Events that could have an adverse impact on the health and safety of guests and employees.	• Disruption to business activities. • Loss of revenue • Adverse brand reputation. • Potential claims and litigation.	• Establishment of standard operating procedures to ensure Guest and Staff health and safety. • Conduct of periodic audits and addressing of gaps identified through training. • Availability of a periodically trained firefighting team and first aid team. • Guidelines for client excursions and adventures.

Risk Factor	Potential Impact	Mitigating Actions
5. Technology and Data Risks		
Description Risk of financial loss, disruption or damage to the reputation resulting from the failure of cybersecurity and information technology systems.	• Potential loss of information assets of the hotel. • Impact on customer privacy in the event of a potential loss event.	• Well-defined cybersecurity incident response process addressing the pillars of device, information and user. • Training employees and creating staff awareness on the importance of maintaining information security and handling of sensitive information. • Implementation and regular testing and verification of network protection technology. • Contractual binding with Group IT for BCP protocols.
6. Retention of skilled employees		
Description Retention of skilled employees is an ongoing challenge in the hospitality industry due to employment opportunities both locally and internationally.	• Challenges in maintaining service quality. • Increased cost associated with new recruitments. • Impact on competitive edge and brand loyalty.	• Ongoing investment in talent and competency development. • Strengthening rewards and benefit schemes. Periodic benchmarking is carried out against market remuneration packages. • Talent management and succession planning programmes for critical positions.
7. Exchange rate		
Description Impacts on profitability from depreciation of exchange rates.	• Foreign exchange losses on foreign currency-based transactions. Escalation of prices in imported products and raw materials.	• Regular monitoring of fluctuations in exchange rates. • Inclusion of terms in third party agreements to mitigate foreign currency exposure. • Investing of excess funds in foreign currency.
8. Liquidity risk		
Description Potential liquidity constraints arising from operational losses.	• Inability to make operational payments.	• Regular review of cash flow forecasts and obtaining funding on a timely manner. • Obtaining debt moratoriums offered by the Central Bank of Sri Lanka. • Strategies in place to improve business volumes, operational efficiencies and margins. • Cost reduction initiatives to improve margins and cash flows.
9. Credit risk		
Description Risk of default from customers in settling their payments.	• Negative impact on cash flows.	• Stringent credit policy in place. • Evaluation of customer credit worthiness. • Obtaining periodic confirmations on outstanding balances. • Regular follow up on debtors. • Weekly debtors meetings.

Risk Management Contd'

Risk Factor	Potential Impact	Mitigating Actions
10. Natural Disaster and Fire		
Description Risk of Tsunami/Cyclone/Flooding/Fire	• Loss of life, injury or destruction and damage to property.	• Business Continuity Plans including alternate working arrangements and emergency response plans. • Conduct of Business Process Recovery drills, fire drills and training. • Agile work environment. • Insurance coverage for physical damage of properties. • Implementation of safety guidelines based on international best practices including requirement for emergency evacuation.
11. Implication of Climate Change and Plastic Pollution.		
Description Implications include decline of ecosystems, increases in temperature, decline in biodiversity and increase in natural disasters.	• Potential negative impact to Sri Lanka.	• Promoting ongoing efforts to reduce the consumption of natural resources, and single use plastics. • Setting up standards, trainings and monitoring range of environmental indicators including water, energy, waste and carbon footprint. • Consider long-term climate change impacts in evaluating expansion plans. • Promoting awareness among key stakeholders on sustainable operations.

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

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

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

The Directors of The Fortress Resorts PLC have pleasure in presenting their Annual Report together with the Audited Financial Statements of the Company and the Consolidated Financial Statements of the Company and its subsidiaries for the financial year ended 31st March 2022 conforming to all relevant statutory requirements.

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

GENERAL

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

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

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

PRINCIPAL ACTIVITIES OF THE COMPANY AND ITS SUBSIDIARIES

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

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

FINANCIAL STATEMENTS

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

AUDITORS' REPORT

The Report of the Independent Auditors on the Financial Statements of the Company and its subsidiaries is given on pages 52 to 53

ACCOUNTING POLICIES

The Financial Statements of the Company and Group have been prepared in accordance with the revised Sri Lanka Financial Reporting Standards (SLFRS/LKAS) and the accounting policies adopted thereof are given on pages 58 to 87 which are consistent with those of the previous year.

DIRECTORS

Directors of the Company

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

Executive Directors

Mr. K D H Perera	- Managing Director
Mr. Jan P Van Twest	- Director/General Manager

Non-Executive Directors

Mr Dhammika Perera	- Chairman
(Alternate Director Ms. Kawshi Amarasinghe)	
Mr J A S S Adhihetty	- Director
Mr Malik J Fernando	- Director
(Alternate Director Mr. R N Malinga)	
Mr Merril J Fernando	- Director
Mr L N de S Wijeyeratne*	- Director
Mr Chatura V Cabraal*	- Director
Mr C U Weerawardane*	- Director
Mr R E U de Silva*	- Director

*Independent Non-Executive Directors

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

The Directors have recommended the re-appointment of Mr Merril J Fernando, who is 92 years of age, Mr L N de S Wijeyeratne, who is 72 years of age and Mr J A S S Adhihetty, who is 72 years of age, as Directors of the Company; and accordingly a resolution will be placed before the shareholders in terms of Section 211 of the Companies Act in regard to each of the said re-appointments.

DIRECTORS OF SUBSIDIARY COMPANIES AS AT 31ST MARCH 2022

La Forteresse (Pvt) Ltd
Mr J A S S Adhihetty
Mr Malik J Fernando
Mr Merril J Fernando
Mr G A R D Prasanna
Mr R N Malinga (Alternate Director to Mr. Malik J Fernando)

Summer Season Mirissa (Pvt) Ltd
Mr. K D H Perera
Mr. J A S S Adhihetty
Mr. M H Jamaldeen
Mr. J A N R Adhihetty

INTERESTS REGISTER

The Company and its subsidiaries maintain Interests Registers in terms of the Companies Act, No.7 of 2007.

The names of the Directors, who were directly or indirectly interested in Contracts or related party transactions with the Company or its subsidiaries during the accounting period, are stated in Note 25 to the Financial Statements.

DIRECTORS' REMUNERATION

The Directors remuneration is disclosed under Key Management Personnel of the Company in Note No 25.2.1 to the Financial Statements. The Directors of the subsidiary companies were not paid any remuneration during the period under review.

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The Directors are responsible for the preparation of the Financial Statements of the Company to reflect a true and fair view of the state of its affairs.

STATED CAPITAL

The Stated Capital of the Company as at 31st March 2022 amounted to Rs 1,108,866,840/- represented by 110,886,684 shares.

DIRECTORS' SHAREHOLDING

The relevant interests of Directors in the shares of the Company as at 31st March 2022 and 31st March 2021 are as follows:

Name of Director	Shareholding as at 31/03/2022	Shareholding as at 31/03/2021
Mr. Dhammika Perera	10,329,317	10,329,317
Mr. J A S S Adhihetty	13,741	13,741
Mr. K D H Perera	Nil	Nil
Mr. Malik J Fernando	833,333	833,333
Mr. Merril J Fernando	2,124,400	2,124,400
Mr. L N de S Wijeyeratne*	Nil	Nil
Mr. Jan Van Twest	Nil	Nil
Mr. Chatura V Cabraal*	Nil	Nil
Mr. C U Weerawardane*	Nil	Nil
Mr. R E U de Silva*	Nil	Nil
Ms. Kawshi Aramasinghe *(Alternate Director to Mr. Dhammika Perera)*	Nil	Nil
Mr. R N Malinga *(Alternate Director to Malik J Fernando)*	Nil	Nil

* Independent Non-Executive Directors

Messrs Dhammika Perera and J A S S Adhihetty are Directors of L B Finance PLC, which held 4,051,100 shares as at 31st March 2022.

Messrs Dhammika Perera is a Director of Royal Ceramics Lanka PLC which held 336,100 shares as at 31st March 2022.

Messrs Dhammika Perera and J A S SAdhihetty are Directors of Vallibel One PLC which held 20,618,257 as at 31st March 2022.

Messrs Merril J Fernando and Malik J Fernando are Directors of MJF Holdings Limited, which held 28,616,411 shares as at 31st March 2022

Mr. Dhammika Perera is also a Director of Vallibel Leisure (Private) Limited which held 24,417,932 shares as at 31st March 2022.

MAJOR SHAREHOLDERS, DISTRIBUTION SCHEDULE AND OTHER INFORMATION

Information on the twenty largest shareholders, public holding, distribution of shareholding and ratios and market price information (as applicable) are given on pages 90 and 91.

AUDITORS

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

A sum of Rs. 110,000/= is payable by the Company to the Auditors as Audit Fees (Group-Rs 710,000/=) for the year under review.

The Auditors have also provided non-Audit services and the fee payable therefor amounts to Rs. 60,500/- (Group - Rs. 229,086) for the year under review.

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

INDEPENDENCE OF AUDITORS

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

DONATIONS

The Company did not make any donations during the year under review. (The Subsidiary company also not made any donations during the year).

DIVIDEND

The Directors do not recommend any dividend for the financial year 2021/2022.

PROPERTY, PLANT AND EQUIPMENT

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

MATERIAL FORESEEABLE RISK FACTORS

Foreseeable risks that may materially impact the business are disclosed in the Chairman's review on page 4 and Risk Management Practices on page 27 to 30 of this report.

LAND HOLDINGS

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

EMPLOYEES AND INDUSTRIAL RELATIONS

There were no material issues pertaining to employees and industrial relations during the year under review.

STATUTORY PAYMENTS

The Directors confirm that, to the best of their knowledge, all taxes, duties and levies payable by the Company, all contributions, levies and taxes payable on behalf of and in respect of the employees of the Company and all other known statutory dues as were due and payable by the Company as at the Balance Sheet date have been paid or, where relevant provided for.

DECLARATION UNDER RULE 9.3.2 (D) OF LISTING RULES

The Directors declare that the Company is in compliance with Rule 9 of the Listing Rules of the Colombo Stock Exchange pertaining to Related Party Transactions during the Financial Year ended 31st March 2022.

EVENTS OCCURRING AFTER THE REPORTING DATE

Except for the matters disclosed in Note 26 to the Financial Statements on page 84 there are no material events as at the date of the Auditors' Report which requires adjustments to, or disclosure in the Financial Statements.

CORPORATE GOVERNANCE

The Company has established systems and procedures for sound corporate governance.

The Board of Directors confirm that the Company is compliant with Section 7.10 of the Listing Rules of the Colombo Stock Exchange.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held on 29 June 2022 at 10.10 a.m. at the Auditorium of the L B Finance PLC, Corporate Office, No.20, Dharmapala Mawatha, Colombo 03

The notice of the Annual General Meeting appears on page 92.

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

DhammikaPerera
Chairman

K D H Perra
Managing Director

Lasanthi Abeyakoon
P W Corporate Secretarial (Pvt) Ltd
Secretaries

23 May 2022
Colombo

Corporate Governance

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

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

BOARD OF DIRECTORS

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

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

COMPOSITION OF THE BOARD OF DIRECTORS

The Board comprises ten (10) members (of whom two have Alternate Directors). Eight (08) Directors including the Chairman are Non-Executive Directors.

The names of the Directors who served during the year under review are given on page 31.

Based on declarations submitted by the Non-Executive Directors, the Board has determined that Four (04) Directors are 'independent' as per the criteria set out in the Listing Rules of the Colombo Stock Exchange; such Directors being, Mr L N de S Wijeyeratne, Mr Chatura V Cabraal, Mr C U Weerawardane, and Mr R E U de Silva.

CHAIRMAN AND MANAGING DIRECTOR

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

Mr Dhammika Perera is the Chairman of the Board of Directors whilst Mr K D H Perera serves as the Managing Director.

TENURE, RETIREMENT AND RE-ELECTION OF DIRECTORS

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

The provisions of the Company's Articles of Association also require the Directors appointed by the Board either to fill a casual vacancy or as additional Directors to hold office until the next Annual General Meeting and seek appointment by the shareholders at that meeting.

BOARD MEETINGS

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

Three (03) Board meetings were held during the year ended 31st March 2022 and the attendance at the said meetings were as follows:

Name of Director	Executive/Non-Executive/ Independent Non-Executive	Attendance
Mr Dhammika Perera	Non-Executive	00/03
Mr K D H Perera	Executive	02/03
Mr Jan P Van Twest	Executive	03/03
Mr J A S S Adhihetty	Non-Executive	03/03
Mr Malik J Fernando	Non-Executive	00/03
Mr Merril J Fernando	Non-Executive	00/03
Mr L N de Silva Wijeyeratne	Independent Non-Executive	03/03
Mr Chatura V Cabraal	Independent/Non-Executive	03/03
Mr C U Weerawardena	Independent/Non-Executive	03/03
Mr R E U De Silva	Independent/Non-Executive	02/03
Ms Kawshie Amarasinghe (Alternate Director to Mr.Dhammika Perera)	-	00/03
Mr R N Malinga (Alternate Director to Mr. Malik J Fernando)	-	03/03

The Board's functions include the assessment of the adequacy and effectiveness of internal controls, compliance with applicable laws and regulations, review of management and operational information, approval of annual and interim accounts before they are published, review of exposure to key business risks, strategic direction of operational and management units, approval of annual budgets, monitoring progress towards achieving the budgets, sanctioning major capital expenditure, etc.

BOARD SUB COMMITTEES

In pursuance of the Listing Rules of the Colombo Stock Exchange on Corporate Governance, the Board of The Fortress Resorts PLC has appointed three Sub Committees, namely, the Audit Committee, Remuneration Committee and the Related Party Transactions Review Committee.

AUDIT COMMITTEE

The Audit Committee consists of three (03) Non-Executive Directors, two (02) of whom are Independent Directors. It is chaired by Mr. L N de S Wijeyeratne, who is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka and Messrs Malik J Fernando and C V Cabraal serve as Members.

The Senior Management attends the meetings by invitation.

REMUNERATION COMMITTEE

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

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

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

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

THE MANAGEMENT

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

FINANCIAL REPORTING

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

The Statement of Directors' Responsibilities for the Financial Statements is given on page 47 of this Report.

INTERNAL CONTROLS

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

CORPORATE DISCLOSURE AND SHAREHOLDER RELATIONSHIP

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

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

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

FINANCIAL DISCLOSURES AND TRANSPARENCY

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

AUDITORS

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

STATUTORY PAYMENTS

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

By Order of the Board
The Fortress Resorts PLC

P W Corporate Secretarial (Pvt) Ltd
Director/ Secretaries

23 May 2022

Compliance with Continuing Listing Rules - Check List

Compliant ✓ Non Compliant ✗

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

Compliance with Continuing Listing Rules - Check List

Compliant ✓ Non Compliant ✗

Rule No	Subject	Applicable requirement	Compliance Status	Applicable section in the Annual Report
7.10.6	Audit Committee	The company shall have an Audit Committee	✓	Corporate Governance
7.10.6 (a)	Composition of an Audit Committee	Shall comprise of Non-Executive Directors and majority of whom should be independent.	✓	Corporate Governance and the Board Committee Reports.
		Non-Executive Directors shall be appointed as the Chairman of the Audit Committee.	✓	Corporate Governance and the Board Committee Reports.
		Chief Executive Officer and the Chief Financial Officer should attend Audit Committee Meetings.	✓	Audit committee report
		The Chairman of the Audit Committee or one member should be a member of a professional accounting body.	✓	Audit committee report
7.10.6 (b)	Audit Committee Functions	Should be as outlined in the Section 7 of the listing rules	✓	
7.10.6 (c)	Disclosure in the Annual Report relating to Audit Committee.	a) Names of the Directors comprising the Audit Committee.	✓	Corporate Governance and the Board Committee Reports.
		b) The Audit Committee shall make a determination of the independence of the Auditors and disclose for such determination.		Audit committee report
		c) The Annual Report Shall contain a Report of the Audit Committee setting out of the manner of compliance of the functions.	✓	Audit committee report

Adoption of Joint Code of Best Practice Checklist

Compliant ✓ Non Compliant ✗

Code Ref.	Subject	Applicable Requirement	Adoption Status	Applicable Section in the Annual Report
A.1 DIRECTORS - Board				
A.1.1	Frequency of Board Meetings	Board should meet regularly, at least once in every quarter	✓	Corporate Governance/AR of the BOD
A.1.2	Responsibilities of the Board	Formulation and implementation of strategy.		Corporate Governance
		Skill adequacy of management and succession		
		Integrity of information, internal controls and risk management		
		Compliance with laws, regulations and ethical standards		
		Code of conduct		
		Adoption of appropriate accounting policies		
A.1.3	Access to professional advice	Procedures to obtain independent professional advice	✓	
A.1.4	Company Secretary	Ensure adherence to board procedures and applicable rules and regulations	✓	
		Procedure for Directors to access services of Company Secretary	✓	
A.1.5	Independent Judgement	Directors should exercise independent judgement on issues of strategy, resources, performance and standards of business judgement.	✓	
A.1.6	Dedication of adequate time and effort by Directors	Directors should devote adequate time and effort to discharge their responsibilities to the Company satisfactorily.	✓	
A.1.7	Training for Directors	Directors should receive appropriate training, hone skills and expand knowledge to more effectively perform duties	✓	
A.2 DIRECTORS - Chairman & Chief Executive Officer				
A.2.	Division of responsibilities to ensure no individual has unfettered powers of decision.	A balance of power and authority to be maintained by separating responsibility for conducting Board business from that of executive decision making	✓	
A.3 DIRECTORS - Role of Chairman				
A.3	Ensure good corporate governance	Chairman to preserve order and facilitate effective discharge of board functions by proper conduct of Board meetings.	✓	Corporate Governance

Adoption of Joint Code of Best Practice Checklist

Compliant ✓ Non Compliant ✗

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

Code Ref.	Subject	Applicable Requirement	Adoption Status	Applicable Section in the Annual Report
A.7 DIRECTORS - Appointment to the Board				
A.7.1	Nomination Committee	Nomination committee of parent may function as such for the Company and make recommendations to the Board on new Board appointments.	✓	
A.7.2	Annual assessment of Board composition	Nomination committee or Board should annually assess the composition of Board.	✓	Corporate Governance
A.7.3	Disclosure of new board appointments	Profiles of new board appointments to be communicated to Shareholders.	✓	
A.8 DIRECTORS - Re - election				
A.8.1	Appointment of non-executive directors	Appointment of non-executive directors should be for specified terms and re-election should not be automatic	✓	Corporate Governance/ Annual Report of the Board of Directors
A.8.2	Shareholder approval of appointment of all directors	The appointment of all directors should be subject to election by shareholders at the first opportunity	✓	
A.9 DIRECTORS - Appraisal of Board Performance				
A.9.1	Annual appraisal of Board performance	The Board should annually appraise how effectively it has discharged its key responsibilities	✓	
A.9.2	Self evaluation of Board and Board Committees	The Board should evaluate its performance and that of its committees annually	✓	
A.9.3	Declaration of basis of performance evaluation	The Board should disclose how performance evaluations have been carried out	✓	
A.10 DIRECTORS -Disclosure of Information in Respect of Directors				
A.10.1	Biographical profiles and relevant details of Directors to be disclosed	Annual report should disclose the biographical details of directors and attendance at board/ committee meetings	✓	Board of Directors, Corporate Governance/ Audit Committee Report.
A.11 DIRECTORS - Appraisal of Chief Executive Officer				
A.11.1	Short, medium and long term, financial and non-financial objectives to be set.	The Board should set out the short, medium and long term, financial and non-financial objectives at the commencement of each year.	✓	
A. 11.2	Evaluation of CEO performance	The performance of the CEO should be evaluated by the Board at the end of the year.	✓	

Adoption of Joint Code of Best Practice Checklist

Compliant ✓ Non Compliant ✗

Code Ref.	Subject	Applicable Requirement	Adoption Status	Applicable Section in the Annual Report
8.1 DIRECTORS REMUNERATION - Remuneration Procedure				
8.1.1	Appointment of Remuneration Committee	Remuneration Committee of parent may function as such for the Company to make recommendations on directors remuneration	✓	Remuneration Committee report
8.1.2	Composition of Remuneration Committee	Board to appoint only non-executive directors to serve on Remuneration Committee.	✓	Remuneration Committee report
8.1.3	Disclosure of members of Remuneration Committee	The Annual Report should disclose the Chairman and directors who serve on the Remuneration Committee.	✓	Corporate Governance
8.1.4	Remuneration of non-executive directors	Board to determine the level of Remuneration of non-executive directors	✓	Remuneration Committee report
8.1.5	Access to professional advice	Remuneration Committee should have access to professional advice in order to determine appropriate remuneration for executive directors	✓	
8.2 DIRECTORS REMUNERATION - Level and Make up of Remuneration				
8.2.1	Remuneration packages for executive directors.	Packages should be structured to attract, retain and motivate executive directors	N/A	
8.2.2	Remuneration packages to be appropriately positioned.	Packages should be comparable and relative to that of other companies as well as the relative performance of the Company.	N/A	
8.2.3	Appropriateness of remuneration and conditions in relation to other Group companies	When determining annual increases remuneration committee should be sensitive to that of other Group companies	N/A	
8.2.4	Performance related elements of remuneration	Performance related elements of remuneration should be aligned with interests of Company.	✓	
8.2.5	Share options	Executive should not be offered at a discount	N/A	
8.2.6	Remuneration packages fro non-executive directors	Should reflect time commitment and responsibilities of role and in line with existing market practice	N/A	
8.3 DIRECTORS REMUNERATION - Disclosure of Remuneration				
8.3	Disclosure of details of remuneration	The Annual Report should disclose the remuneration paid to directors	✓	Financial Statements note 25.2.1

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

Adoption of Joint Code of Best Practice Checklist

Compliant ✓ Non Compliant ✗

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

Code Ref.	Subject	Applicable Requirement	Adoption Status	Applicable Section in the Annual Report
D.4 CODE OF BUSINESS CONDUCT AND ETHICS				
D.4.1	Adoption of Code of Business Conduct and Ethics	The company must addopt a Code of Business Conduct and Ethics for directors and members of the senior management team and promptly disclose any violation of the Code	✓	
D.4.2	Chairman's affirmation	The Annual Report must include an afirmation by the Chairman that he is not aware of any violation of the Code of Business Conduct and Ethics	✓	Chairman's Statement/ Annual Report of the Board of Directors
D.5 CORPORATE GOVERNANCE DISCLOSURES				
D.5.1	Corporate Governance Report	The Annual Report should include a report setting out the manner and extent to which the company has adopted the principles and provisions of the Code of Best Practise on Corporate Governance	✓	Corporate Governance
E. INSTITUTIONAL INVESTERS - Structured Dialogue				
E.1	Structured Dialogue with Shareholders	A regular and structured dialogue should be conducted with shareholders and the outcome of such dialogue should be communicated to the Board by the Chairman	✓	Corporate Governance
E.2	Evaluation of Governance Disclosures by institutional investers	Institutional Investers should be encouraged to consider the relevant factors drawn to their attention with regard to board structure and composition	✓	
F. OTHER INVESTERS - Investment/Divestment decisions				
F.1	Individual Investers	Individual shareholders should be encouraged to carry out adequate analysis and seek professional advice when making their investment/divestment decisions.	✓	
F.2.	Shareholder Voting	Individual shareholders should be encouraged to participate and exercise their voting rights.	✓	Corporate Governance/ Form of Proxy

Responsibility Statement of Chairman, Managing Director and Chief Financial Officer

The financial statements of The Fortress Resorts PLC and the consolidated financial statements of the Group, as at 31st March 2022, are prepared and presented in conformity with the requirements of the following:

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

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

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

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

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

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

Dhammika Perera
Chairman

K.D.H.Perera
Managing Director

Thilaksiri Dunuhinga
Chief Financial Officer

23 May 2022

Statement of Directors' Responsibilities

The Directors are responsible under the Companies Act No. 7 of 2007 to ensure compliance with the requirements set out therein to prepare financial statements for each financial year giving a true and fair view of the state of affairs of the Company and its subsidiary as at the balance sheet date and the profit of the Company and its subsidiaries for the financial year 2021/22.

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

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

Further, the Directors confirm that, after review of the Company's Business Plan for the financial year 2022/23, including cash flows and borrowing facilities, they are of the view that the Company has adequate resources to continue in operation and accordingly, have applied a going concern basis in preparing the financial statements.

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

The Directors are of the view that they have discharged their responsibilities as set out in this statement.

By Order of the Board
The Fortress Resorts PLC

P W Corporate Secretarial (Pvt) Ltd
Secretaries

23 May 2022

Remuneration Committee Report

COMPOSITION

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

Mr. J.A.S.S. Adhihetty (Chairman)
Mr. Ehsana De Silva (Member)
Mr. C.V. Cabraal (Member)

MEETINGS

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

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

FUNCTIONS

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

DIRECTORS' REMUNERATION

The total of Directors' remuneration paid during the year under review is set out in note 25.2.1 to the financial statements.

J.A.S.S. Adhihetty
Chairman
Remuneration committee

23 May 2022

Audit Committee Report

TERMS OF REFERENCE, PRINCIPAL FOCUS AND MEDIUM OF REPORTING

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

COMMITTEE COMPOSITION, MEETINGS HELD AND ATTENDANCE

The Audit Committee consists of three members. The members of the Board appointed Audit Committee are;

- Mr. L N De S Wijeyeratne - (Chairman)
- Mr. C V Cabraal - Member
- Mr. Malik J Fernando - Member

The Company Secretary functions as the Secretary to the Audit Committee.

The Chairman of the Audit Committee is a Fellow of the Institute of Chartered Accountants of Sri Lanka. All non-executive directors satisfy the criteria for independence as specified in the standards on Corporate Governance for listed Companies issued by the Securities and Exchange Commission of Sri Lanka. The Audit committee reports directly to the Board. The individual and collective financial and hotel industry specific knowledge, business experience and the independence of members are brought to bear on all matters, which fall within the committee's purview. The Managing Director, Director/General Manger & Chief Financial Officer attend audit meetings by invitation. Outsourced Internal Auditors (BDO partners) are required to attend meetings on a regular basis. The committee met four times in connection with the financial year ended 31st March 2022.

Name of the member	Attendance
Mr. L N de S Wijeyeratne (Chairman)	04/04
Mr. C V Cabraal	04/04
Mr. Malik J Fernando	00/04
Mr. R N Malinga (Alternate Director to Mr. Malik J Fernando)	04/04

ACTIVITIES PERFORMED

- Reviewed the activities and financial affairs of the Company and its Subsidiary (Hotel), and the financial reporting system adopted in the preparation of quarterly and annual financial statements to ensure reliability of the process, appropriateness and consistency of accounting policies and methods adopted and that they facilitate compliance with the requirements of Sri Lanka Accounting standards (LKAS, SLFRS), the Companies Act No 7 of 2007 and other relevant statutory and regulatory requirements.
- Met the outsourced Internal Auditors to consider their reports, management responses and matters requiring follow up on the effectiveness of internal financial controls that have been designed to provide reasonable but not absolute assurance to the Directors that assets are safeguarded and that the financial reporting system can be relied upon in the preparation and presentation of the financial statements.
- Met the external auditors to consider their report on interim audit carried out and discussed the effects of new accounting standards and the reporting requirements relating to those new standards.
- Reviewed the quarterly and year end financial statements and recommended their adoption to the Board.
- Reviewed the type and quantum of non-audit services provided by the external auditors to the Company to ensure that their independence as auditors has not been impaired.
- Reviewed the Company's compliance framework to determine that it provides reasonable assurance that all relevant laws, rules and regulations have been complied with.

The Audit Committee has recommended to the Board of Directors that Messrs Ernst & Young be re-appointed as Auditors for the Financial Year ending 31st March 2023, subject to the approval of the shareholders at the next Annual General Meeting.

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

23 May 2022

Related Party Transactions Review Committee Report

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

COMPOSITION OF THE COMMITTEE

The members of the RPTRC are as follows.

- Mr. L N de Silva Wijeyeratne (Chairman) - Independent Non-Executive Director
- Mr. J A S S Adhihetty (Member) - Executive Director
- Mr. C.V. Cabraal (Member) - Independent Non-Executive Director

MEETINGS OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

The Fortress Resorts PLC – RPTRC had four (04) meetings during the financial year to discuss matters relating to the Company. The attendance of the Members of the Committee was as follows.

Meetings attended	
Mr. L N de Silva Wijeyeratne	04/04
Mr. J A S S Adhihetty	04/04
Mr. C.V. Cabraal	04/04

PURPOSE OF THE COMMITTEE

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

POLICIES AND PROCEDURES

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

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

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

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

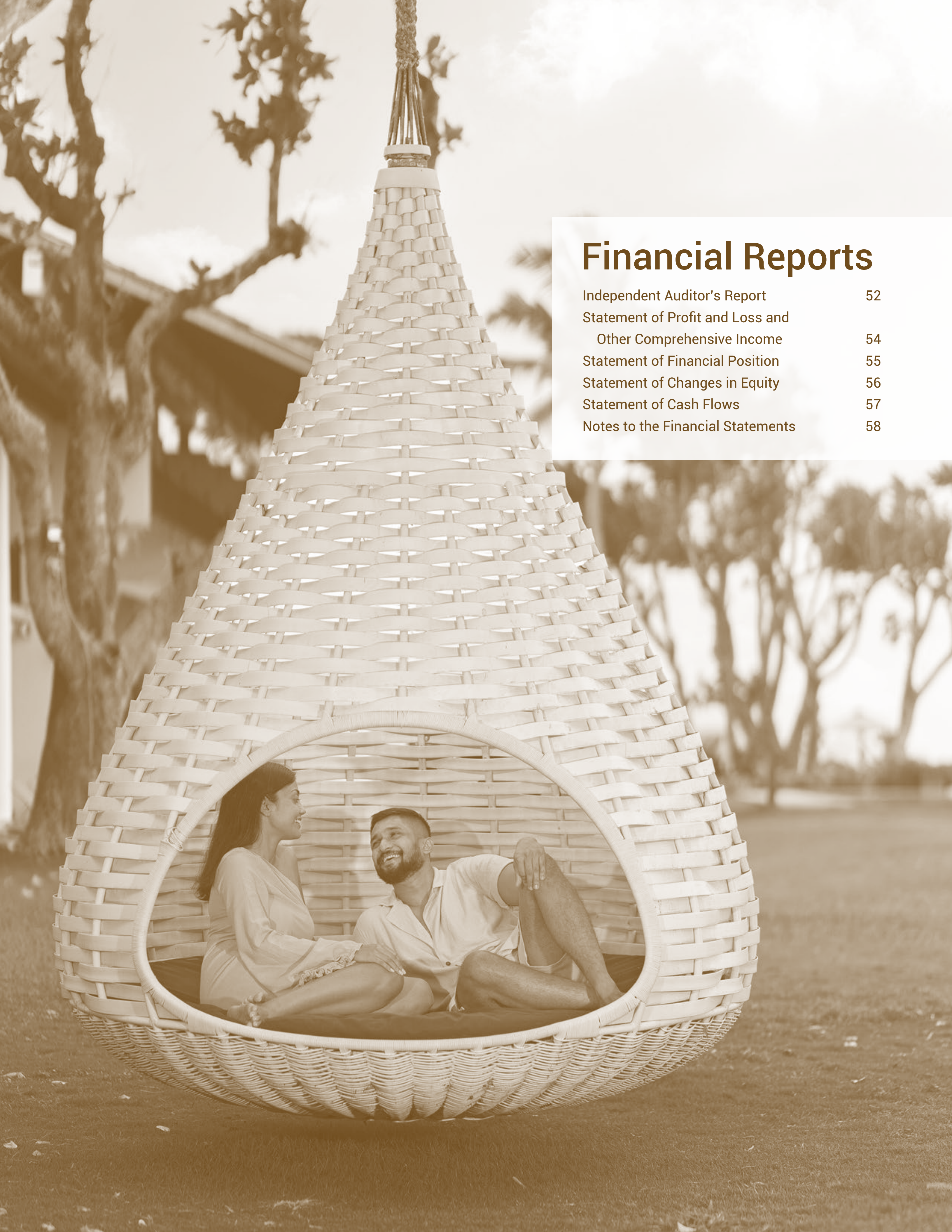
The Committee has criteria for designating the Fortress Group Key Management Personnel. Further, processes have been introduced to obtain annual disclosures from all Key Management Personnel so designated.

The Related Party Transactions of the Company for the period 01st April 2021 to 31st March 2022 have been reviewed by the members of the RPTRC and the comments and observations of the Committee have been communicated to the Board of Directors of the Company. The approval of the shareholders has been obtained and announcements were made to the Colombo Stock Exchange where applicable.

L. N. de S. Wijeyeratne (FCA)
Chairman
Related Party Transactions Review Committee

23 May 2022

Financial Reports



Independent Auditor's Report

Ernst & Young
Chartered Accountants
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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 2022, 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 2022, 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
Investments in short term deposits Investments in short term deposits The Group invested an amount of Rs. 460,378,919/- (2021 – Rs. 625,786,568/) in short term deposits in two related party registered finance companies from which Group earned interest income of Rs. 30,653,397/- (2021 – Rs. 67,520,410/-) for the year as disclosed in Note 25.3. This was a key audit matter due to; • The materiality of the short-term deposits • The magnitude of and the inherent risk associated with related party transactions and disclosures • Probable effects of current economic conditions on liquidity needs of the Group	Our procedures included the following, among others: • 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 to cashflow forecasts/requirements and credit ratings of the respective finance companies. • We assessed the adequacy of the related disclosures given in note 25.3 to the financial statements.

OTHER INFORMATION INCLUDED IN THE 2022 ANNUAL REPORT

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

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

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

RESPONSIBILITIES OF THE MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

Ernst & Young

28 May 2022
Colombo

Statement of Profit and Loss and Other Comprehensive Income

Year ended 31 March 2022	Note	Group 2022 Rs.	Group 2021 Rs.	Company 2022 Rs.	Company 2021 Rs.
Revenue	4	349,167,218	74,665,832	-	-
Cost of sales		(109,416,338)	(66,032,324)	-	-
Gross profit		239,750,880	8,633,508	-	-
Other income and gains	5	23,826,747	696,949	-	-
Advertising and marketing expenses		(12,920,205)	(9,519,870)	-	-
Administrative expenses		(243,821,570)	(235,264,228)	(3,943,762)	(4,408,552)
Finance cost	6.1	(11,735,673)	(15,711,408)	-	-
Finance income	6.2	32,183,360	68,553,479	-	-
Profit/(loss) before tax	7	27,283,539	(182,611,570)	(3,943,762)	(4,408,552)
Income tax expenses	8	5,765,261	7,005,499	-	-
Profit/(loss) for the year		33,048,800	(175,606,071)	(3,943,762)	(4,408,552)
Other comprehensive income/(loss)					
Other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods					
Actuarial gain/(loss) on defined benefit plan	20	(1,350,443)	820,102	-	-
Income tax effect		189,062	(114,814)	-	-
Net other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods		(1,161,381)	705,288	-	-
Other comprehensive income for the year, net of tax		(1,161,381)	705,288	-	-
Total comprehensive income/(loss) for the year, net of tax		31,887,420	(174,900,783)	(3,943,762)	(4,408,552)
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	0.30	(1.58)	(0.04)	(0.04)

The accounting policies and notes on pages 58 to 87 form an integral part of these financial statements.

Statement of Financial Position

As at 31 March 2022	Note	Group 2022 Rs.	Group 2021 Rs.	Company 2022 Rs.	Company 2021 Rs.
ASSETS					
Non-Current Assets					
Property, plant and equipment	10	1,206,227,320	1,268,099,427	-	-
Right of use assets	11	43,268,347	47,996,938	-	-
Investments in subsidiary	12	-	-	1,000,009,990	1,000,009,990
Intangible assets	13	1,694,673	2,892,509	-	-
		1,251,190,340	1,318,988,874	1,000,009,990	1,000,009,990
Current Assets					
Inventories	15	19,806,282	18,329,972	-	-
Trade and other receivables	16	47,470,332	16,396,281	97,019,225	101,092,187
Advances and prepayments		30,162,670	28,151,201	-	-
Short term deposits	17	525,768,100	639,756,356	-	-
Cash and cash equivalents	18	44,868,778	9,234,923	44,244	26,045
		668,076,162	711,868,733	97,063,469	101,118,232
Total Assets		1,919,266,502	2,030,857,607	1,097,073,459	1,101,128,222
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)		519,796,909	487,909,489	(13,676,809)	(9,733,047)
Equity attributable to equity holders of the parent		1,628,663,749	1,596,776,329	1,095,190,031	1,099,133,793
Non controlling interest		1,000	1,000	-	-
Total Equity		1,628,664,749	1,596,777,329	1,095,190,031	1,099,133,793
Non-Current Liabilities					
Interest bearing loans and borrowings	14	93,163,650	149,927,000	-	-
Retirement benefit obligation	20	19,107,604	17,591,955	-	-
Deferred tax liability	8.4	8,821,086	22,393,908	-	-
Government grants	23	-	3,289,714	-	-
		121,092,340	193,202,577	-	-
Current Liabilities					
Trade and other payables	21	58,755,087	44,233,782	1,883,428	1,994,429
Contract liabilities	22	59,508,338	25,913,772	-	-
Interest bearing loans and borrowings	14	47,796,839	145,676,766	-	-
Government grants	23	-	15,056,492	-	-
Income tax payables		3,449,149	9,996,889	-	-
		169,509,413	240,877,701	1,883,428	1,994,429
Total Equity and Liabilities		1,919,266,502	2,030,857,607	1,097,073,459	1,101,128,222

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 58 to 87 form an integral part of these financial statements.

23 May 2022
Colombo

Statement of Changes in Equity

Year ended 31 March 2022 Group	Attributable to the equity holders of the parent Stated Capital Rs.	 Accumulated Profit Rs.	Non Controlling Interest Rs.	Total Rs.
Balance as at 01 April 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	1,108,866,840	487,909,489	1,000	1,596,777,329
Profit for the year	-	33,048,800	-	33,048,800
Other comprehensive loss for the year, net of tax	-	(1,161,381)	-	(1,161,381)
Balance as at 31 March 2022	1,108,866,840	519,796,909	1,000	1,628,664,749

Company	Stated Capital Rs.	Accumulated Losses Rs.	Total Rs.
Balance as at 01 April 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	1,108,866,840	(9,733,047)	1,099,133,793
Loss for the year	-	(3,943,762)	(3,943,762)
Balance as at 31 March 2022	1,108,866,840	(13,676,809)	1,095,190,031

The accounting policies and notes on pages 58 to 87 form an integral part of these financial statements.

Statement of Cash Flows

Year ended 31 March 2022	Note	Group 2022 Rs.	Group 2021 Rs.	Company 2022 Rs.	Company 2021 Rs.
Cash Flows from/(used in) Operating Activities					
Profit/(loss) before Tax		27,283,539	(182,611,570)	(3,943,762)	(4,408,552)
Adjustments for					
Depreciation		71,596,809	72,141,456	-	-
Amortisation of intangible assets	13	1,197,836	1,421,678	-	-
Depreciation of Right of Use assets	11	4,676,236	7,521,222	-	-
Finance Cost	6.1	11,735,673	15,711,406	-	-
Finance Income	6.2	(32,183,360)	(68,553,479)	-	-
Profit on Disposal of Property, Plant and Equipment		(83,239)	(168,056)	-	-
Provision for Defined Benefit Obligation	20	3,276,658	3,934,634	-	-
Remeasurement of ROU Assets and Lease liabilities		191,054	-	-	-
Exchange gains		(9,036,558)	-	-	-
Operating Profit/(Loss) before Working Capital Changes		78,654,648	(150,602,709)	(3,943,762)	(4,408,552)
(Increase)/Decrease in Inventories		(1,476,310)	4,010,174	-	-
(Increase)/Decrease in Trade and Other Receivables and Prepayments		(33,085,520)	28,932,479	4,072,962	3,407,862
Increase/(Decrease) in Trade and Other Payables and Contract Liabilities		48,115,871	(15,671,034)	(111,001)	(3,250)
Cash Generated from/(used in) Operations		92,208,689	(133,331,090)	18,199	(1,003,940)
Finance Cost paid		(8,065,873)	(7,295,151)	-	-
Defined Benefit Obligation paid	20	(3,111,452)	(2,613,105)	-	-
Income Tax paid		(14,166,239)	(8,375,697)	-	-
Net Cash from/(used in) Operating Activities		66,865,124	(151,615,043)	18,199	(1,003,940)
Cash Flows from/(used in) Investing Activities					
Proceeds from Disposal of Property Pant and Equipment		1,790,687	430,334	-	-
Acquisition of Property, Plant and Equipment	10.4	(11,432,150)	(21,020,611)	-	-
Investment in Fixed deposits		(132,177,500)	(41,000,000)	-	-
Withdrawal of Fixed Deposits		231,000,000	78,500,000	-	-
Finance Income Received		56,385,675	53,727,256	-	-
Net Cash from/(used in) Investing Activities		145,566,712	70,636,979	-	-
Cash Flows from/(used in) Financing Activities					
Proceeds from Bank Loans	14	-	72,000,000	-	-
Repayment of Bank loans	14.1.1	(162,613,665)	-	-	-
Principal Payments under lease liabilities	14.1.2	(5,642,672)	(6,094,344)	-	-
Net Cash from/(used in) Financing Activities		(168,256,337)	65,905,656	-	-
Net Increase/(Decrease) in Cash and Cash Equivalents		44,175,500	(15,072,408)	18,199	(1,003,940)
Cash and Cash Equivalents at the beginning of the year		693,278	15,765,686	26,045	1,029,985
Cash and Cash Equivalents at the end of the year	18	44,868,778	693,278	44,244	26,045

The accounting policies and notes on pages 58 to 87 form an integral part of these financial statements.

Notes to the Financial Statements

1. CORPORATE INFORMATION

The Fortress Resorts PLC ("the Company") is a public limited liability Company incorporated and domiciled in Sri Lanka. The ordinary shares of the Company are listed on the Colombo Stock Exchange of Sri Lanka. The registered office of the Company is located at Level 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 2022 were authorised for issue in accordance with a resolution of the directors on 23 May 2022.

1.1 Parent Entity and Ultimate Parent Entity

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

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The Consolidated Financial Statements have been prepared in accordance with the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, which requires compliance with Sri Lanka Accounting Standards (SLAS) promulgated by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka), and with the requirements of the Companies Act No. 7 of 2007.

The Financial Statements have been prepared on the historical cost basis. The consolidated financial statements are presented in Sri Lankan Rupees (Rs).

Comparative Information

The consolidated financial statements provide comparative information in respect of the previous year. The accounting policies have been consistently applied by the Group and, are consistent with those used in the previous year. Previous year's figures and phrases have been re-arranged whenever necessary to conform to current presentation.

2.1.1 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 and they do not intend either to liquidate or to cease trading.

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 and they do not intend either to liquidate or to cease trading.

Current market and economic conditions

As at the reporting date, several market, and economic changes such as shortages of oil and gas, limitation of imported food items, regular power cuts present, and the said facts directly affected on the industry in which the Group is operating.

Further, adverse changes in political environment, travel advisory and warnings issued for Sri Lanka, shortage of forex and significant depreciation of Rupee value against foreign currencies, changes in market interest rates and global macroeconomic factors also affected the tourism industry in Sri Lanka.

The Board of Directors has carefully evaluated the implications of these conditions on the operations of the Group. In addressing these issues, the Government of Sri Lanka has taken several policy decisions to overcome form obstacles. Even the conditions are beyond management control, the Group has taken measures to mitigate the potential impact on the operations and to continue the business smoothly.

The board has considered the potential implications in concluding the Going Concern 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 2022. 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:

Subsidiaries	2022	2021	Nature of the Operations
Direct holding			
La Forteresse (Private) Limited	100%	100%	Operation of Small Luxury Hotel
Indirect holding			
Summer Season Mirissa (Pvt) Ltd	99.99%	99.99%	Operations not yet commenced

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

2.3 Summary of Significant Accounting Policies

2.3.1 Current versus non-current classification

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

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

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period Or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

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

2.3.2 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability Or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group. 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 recognised 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.

Contract balances

Contract assets

A contract asset is initially recognised for revenue earned from room sales because the consideration is receiving 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% and interest income is taxed at 24% under the Inland Revenue Act No. 24 of 2017 and amendments thereto.

Deferred Taxation

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

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

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

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

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

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

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

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

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

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

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

2.3.5 Functional and Presentation Currency

The Group's Consolidated Financial Statements are presented in Sri Lanka Rupees (Rs), which is the functional and presentation currency of the Group.

i) Transactions and balances

Transactions in foreign currencies are initially recorded by the Group at the functional currency rates prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange 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 below
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.

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.

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 amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

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

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

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

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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

Subsequent measurement

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

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

Financial assets at amortised cost (debt instruments)

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

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

and

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

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

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

De-recognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's statement of financial position) when:

- The rights to receive cash flows from the asset have expired

  Or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment of financial assets

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

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. For this purpose, the Group has established a provision matrix that is based on its historical credit loss experience, adjusted, if any; for forward-looking factors specific to each debtor and the economic characteristics. Group is making a 100% provision for all the debtors aged more than 180 days.

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

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

ii) Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

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

Financial Liabilities at Amortised 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

House Keeping and Maintenance and Other

- Weighted Average Basis

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

2.3.12 Impairment of non- financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

2.3.13 Cash and 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 recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

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

2.3.15 Post Employment Benefits
i) Defined Benefit Plan - Gratuity
Gratuity is a defined benefit plan. 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 recognised in the statement of profit or loss.

Further, this liability is not externally funded.

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

2.3.16 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.

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. Adoption of these amendments and interpretations will not have significant impact on the consolidated financial statements of the Group.

SLFRS 17 Insurance Contracts
In 8 January 2020, the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued SLFRS 17 Insurance Contracts (SLFRS 17). SLFRS 17 was amended by Amendments to SLFRS 17 - Insurance Contracts, in 28 June 2021. SLFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, SLFRS 17 will replace SLFRS 4 Insurance Contracts (SLFRS 4) that was issued in 2005. SLFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance),

regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of SLFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in SLFRS 4, which are largely based on grandfathering previous local accounting policies, SLFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of SLFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

SLFRS 17 is effective for annual reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies SLFRS 9 and SLFRS 15 on or before the date it first applies SLFRS 17.

Amendments to LKAS 37 Provisions, Contingent Liabilities and Contingent Assets : Onerous Contracts – Costs of Fulfilling a Contract

In 25 March 2021, the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued amendments to LKAS 37 Provisions, Contingent Liabilities and Contingent Assets (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. Earlier application is permitted.

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

In 25 March 2021, the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued LKAS 16 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 recognises 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.

Amendments to SLFRS 3 Business Combinations : Updating a reference to conceptual framework

In 23 March 2021, the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued amendments to SLFRS 3 Business Combinations - Updating a Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

At the same time, it was 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.

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.

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 analysed. 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.

4. REVENUE

	Group		Company	
	2022	2021	2022	2021
	Rs.	Rs.	Rs.	Rs.
Revenue from contracts with customers (Note 4.1)	349,167,218	74,665,832	-	-
	349,167,218	74,665,832	-	-

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	
	2022	2021	2022	2021
	Rs.	Rs.	Rs.	Rs.
Over a period or period of stay				
Room revenue	206,042,940	36,129,628	-	-
Rental income	420,000	420,000	-	-
At a point in time				
Food revenue	91,122,972	25,438,165	-	-
Beverage revenue	28,077,967	6,017,251	-	-
Spa revenue	12,777,270	3,367,207	-	-
Laundry income	2,308,275	74,155	-	-
Transport income	3,545,613	577,135	-	-
Excursions income	2,397,134	975,178	-	-
Boutique income	-	48,432	-	-
Wedding income	36,364	177,545	-	-
Income from other hotel operations	2,438,681	1,441,137	-	-
	349,167,218	74,665,832	-	-

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

5. OTHER INCOME AND GAINS (GROUP/COMPANY)

	Group	
	2022	2021
	Rs.	Rs.
Profit on disposal property, plant and equipment	83,239	168,056
Exchange gains	23,743,508	528,893
	23,826,747	696,949

6 FINANCE COST AND INCOME

6.1 Finance Cost

	Group	
	2022 Rs.	2021 Rs.
Interest expense on bank overdrafts	99,512	157,224
Finance charges on lease liabilities (Note 11.3)	6,969,442	7,430,562
Interest expense on bank loans net of interest subsidy (Note 14.1.1)	4,666,719	8,123,622
	11,735,673	15,711,408

6.2 Finance Income

Interest Income from term deposits	32,183,360	68,553,479
	32,183,360	68,553,479

7. PROFIT BEFORE TAX

	Group		Company	
Stated after Charging	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Included in Cost of Sales				
Employees Benefits including the following	30,142,362	31,697,496	-	-
- Defined Benefit Plan Cost - Gratuity (included in Employee Benefits)	760,045	801,689	-	-
- Defined Contribution Plan Cost - EPF and ETF (included in Employee Benefits)	4,204,956	3,723,197	-	-
Depreciation	1,236,749	1,781,398	-	-
Raw Materials and Consumables used	18,072,999	17,639,631	-	-
Included in Administrative Expense				
Employees Benefits including the following	72,292,869	78,828,477	-	-
- Defined Benefit Plan Cost - Gratuity (included in Employee Benefits)	2,516,613	3,132,946	-	-
- Defined Contribution Plan Cost - EPF and ETF (included in Employee Benefits)	7,360,544	9,116,736	-	-
Depreciation	70,360,060	67,912,160	-	-
Amortisation of Intangible Assets	1,197,836	1,421,678	-	-
Audit Fees	710,000	890,000	110,000	210,000
Charity and Donations	-	25,008	-	-
Depriciation of ROU Assets	4,676,236	7,521,222	-	-
Maintenance Expenses	15,784,291	12,386,226	-	-
Electricity	24,932,204	22,832,598	-	-
TDL and Pradeshiya Sabba Tax	6,985,009	1,507,256	-	-
Included in Advertising and Marketing Expenses			-	-
Advertising	6,047,337	3,645,750	-	-
Sales Promotion Expenses	2,417,040	4,525,402	-	-

8. INCOME TAX EXPENSE

The major components of income tax expense for the years ended 31 March 2022 and 2021 are:

Statement of Profit or Loss	Group 2022 Rs.	Group 2021 Rs.	Company 2022 Rs.	Company 2021 Rs.
Current Income Tax				
Current Income Tax Charge (Note 8.1)	7,625,095	16,452,835	-	-
Dividend Tax	-	-	-	-
Adjustments in respect of current income tax of previous year	(6,596)	1,920,060	-	-
	7,618,499	18,372,895	-	-
Deferred Tax				
Relating to origination and reversal of temporary differences (Note 8.4)	(13,383,760)	(25,378,394)	-	-
Income tax expense/(reversal) reported in the Statement of Profit or Loss	(5,765,261)	(7,005,499)	-	-
Statement of Other Comprehensive Income (OCI)				
Deferred tax related to items recognised in OCI during the year:				
On actuarial gain or loss	189,062	(114,814)	-	-
Deferred tax charged to OCI	189,062	(114,814)	-	-

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

Taxable Profit/(Loss) from Business	Group 2022 Rs.	Group 2021 Rs.	Company 2022 Rs.	Company 2021 Rs.
Loss from the business	-	-	(3,943,762)	(4,408,552)
Interest income liable for tax	31,771,229	68,553,479	-	-
Taxable profit/(loss)	31,771,229	68,553,479	(3,943,762)	(4,408,552)
*Income Tax @ 14%	-	-	-	-
*Income Tax on interest income @ 24%	7,625,095	16,452,835	-	-
Current Income Tax Charge	7,625,095	16,452,835	-	-

*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 :

	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Profit before income tax expenses	27,283,539	(182,611,570)	(3,943,762)	(4,408,552)
Tax at statutory income tax rate of 14%	-	-	-	-
Tax at statutory income tax rate of 24%	7,625,095	16,452,835	-	-
Income exempted from tax including exchange gains	(2,058,973)	-	-	-
Unrealised exchange gains	(1,265,118)	-	-	-
Other allowable/disallowable items for tax purpose	206,100	2,445,563	-	-
Adjustments in respect of current income tax of previous years	(6,596)	1,920,060	-	-
Deferred tax effect on business losses	(10,265,769)	(27,823,957)	-	-
Income tax expense/(reversal) reported in the Statement of Profit or Loss	(5,765,261)	(7,005,499)	-	-

8.3 Tax Losses Utilised

	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Tax Losses Brought Forward	348,609,567	78,389,467	76,540,096	72,131,574
Loss Incurred during the year	3,943,762	270,220,100	3,943,762	4,408,522
Setoff with taxable profits during the year	(26,744,735)	-	-	-
Tax Losses Carried Forward	325,808,594	348,609,567	80,483,858	76,540,096

Income Tax of La Forteresse (Private) Limited

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

8.4 Deferred Tax - Group

	Statement of Financial Position		Statement of Profit or Loss	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Deferred Tax Liability				
Capital Allowances for Tax purpose	48,133,665	53,026,319	(4,892,654)	2,287,283
	48,133,665	53,026,319	(4,892,654)	2,287,283
Deferred Tax Assets				
Retirement Benefit Obligation - Through Income Statement	(2,652,404)	(2,629,275)	(23,129)	(185,014)
Retirement Benefit Obligation - Through Other Comprehensive Income	(22,661)	166,401	-	-
ROU Assets and Related Lease Liabilities	(537,983)	(345,580)	(192,403)	343,293
Tax losses	(34,345,463)	(27,823,957)	(6,521,506)	(27,823,957)
Unrealised exchange gains	(1,265,118)	-	(1,265,118)	-
Provisions	(488,951)	-	(488,951)	-
	(39,312,579)	(30,632,411)	(8,491,106)	(27,665,678)
Deferred Taxation Charge/(Reversal)			(13,383,760)	(25,378,394)
Net Deferred Tax Liability	8,821,086	22,393,908		

8.4.1 Reconciliation of Deferred Tax Charge/(Reversal)

	2022 Rs.	2021 Rs.
Deferred Tax Charge reported in the Statement of Profit or Loss	(13,383,760)	(25,378,394)
Deferred Tax Charge reported in Other Comprehensive Income	(189,062)	114,814
	(13,572,822)	(25,263,580)

8.5 The Group has a tax loss amounting to Rs. 325,808,594/- (2021 - Rs. 348,609,567/-) which is available for offsetting against future statutory income of the Company until 6 years form the incurred year of assessment. A deferred tax asset amounting to Rs. 10,715,613/- (2021 - Rs. 19,023,610/-) has not been recognised in respect of this tax loss and other temporary differences which has resulted deferred tax assets as it is anticipated that the deferred tax asset will not realise in the foreseeable future.

9. 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	**2022 Rs.**	**2021 Rs.**	**2022 Rs.**	**2021 Rs.**
Profit/(loss) attributable to ordinary shareholders for basic earnings/(loss) per share	33,048,800	(175,606,071)	(3,943,762)	(4,408,552)

	Group		Company	
Number of Ordinary Shares Used as the Denominator	**2022 Number**	**2021 Number**	**2022 Number**	**2021 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
Earnings/(loss) per share (Rs.)	0.30	(1.58)	(0.04)	(0.04)

10. PROPERTY, PLANT AND EQUIPMENT - GROUP

10.1 Gross Carrying Amounts

		Balance As at 01.04.2021 Rs.	Additions Rs.	Transfers Rs.	Disposals Rs.	Balance As at 31.03.2022 Rs.
At Cost						
Land		359,721,000	-	-	-	359,721,000
Buildings on Leasehold Land	- Hotel	955,378,187	-	-	-	955,378,187
	- Administration	69,565,384	-	-	-	69,565,384
Plant and Other Equipment		19,901,249	-	-	-	19,901,249
Furniture and Fitting		196,582,861	56,400	-	-	196,639,261
Fixtures and Fitting		93,656,000	4,922,175	-	-	98,578,175
Computer Equipment		31,195,515	439,522	-	(95,025)	31,540,012
Telephone Equipment		3,300,222	156,590	-	(104,713)	3,352,099
Kitchen Equipment		56,184,652	7,999	-	(25,000)	56,167,651
Electrical Equipment		165,631,799	224,465	-	(6,855,982)	159,000,282
Linen and Furnishing		12,625,849	1,737,638	-	(1,012,688)	13,350,799
Cutlery and Crockery		1,770,497	-	-	(333,749)	1,436,748
Other Equipment		16,231,670	3,834,951	-	(36,026)	20,030,595
Air conditioners		14,273,561	52,410	-	(36,960)	14,289,011
Motor Vehicles		44,773,312	-	26,997,614	(1,357,143)	70,413,783
Total Gross Carrying Amount		2,040,791,756	11,432,150	26,997,614	(9,857,286)	2,069,364,234

10.2 Depreciation

		Balance As at 01.04.2021 Rs.	Charge for the year Rs.	Transfers Rs.	Disposals Rs.	Balance As at 31.03.2022 Rs.
At Cost						
Buildings on Leasehold Land	- Hotel	272,588,195	28,536,052	-	-	301,124,247
	- Administration	16,689,913	2,112,913	-	-	18,802,826
Plant and Equipment		17,812,180	341,935	-	-	18,154,115
Furniture and Fitting		132,012,665	10,885,202	-	-	142,897,867
Fixtures and Fitting		54,171,413	7,174,884	-	-	61,346,297
Computer Equipment		26,636,248	1,694,051	-	(92,295)	28,238,004
Telephone Equipment		2,955,571	267,902	-	(91,865)	3,131,608
Kitchen Equipment		54,559,075	1,193,548	-	(25,000)	55,727,623
Electrical Equipment		122,980,823	8,281,061	-	(5,255,137)	126,006,747
Linen and Furnishing		9,887,276	1,730,295	-	(939,223)	10,678,349
Cutlery and Crockery		1,733,902	36,591	-	(333,745)	1,436,748
Other Equipment		14,742,582	877,681	-	(36,026)	15,584,237
Air conditioners		11,446,663	855,907	-	(19,404)	12,283,166
Motor Vehicles		34,475,822	7,608,785	26,997,614	(1,357,143)	67,725,078
Total Depreciation		772,692,329	71,596,809	26,997,614	(8,149,838)	863,136,914

10.3 Net Book Values

	2022 Rs.	2021 Rs.
At Cost		
Land	359,721,000	359,721,000
Buildings on Leasehold Land - Hotel	654,253,939	682,789,992
- Administration	50,762,558	52,875,471
Plant and Equipment	1,747,134	2,089,069
Furniture and Fittings	53,741,393	64,570,195
Fixtures and Fittings	37,231,877	39,484,587
Computer Equipment	3,302,008	4,559,266
Telephone Equipment	220,490	344,650
Kitchen Equipment	440,028	1,625,577
Electrical Equipment	32,993,535	42,650,976
Linen and Furnishing	2,672,450	2,738,573
Cutlery and Crockery	-	36,595
Other Equipment	4,446,357	1,489,087
Air conditioners	2,005,845	2,826,898
Motor Vehicles	2,688,705	10,297,490
Total Carrying Amount of Property, Plant and Equipment	1,206,227,320	1,268,099,427

10.4 During the financial year, the Group acquired property, plant and equipment to the aggregate value of Rs. 11,432,150/- (2021 - Rs. 21,020,611/-). Cash payments amounting to Rs. 11,432,150/- (2021 - 21,020,611/-) were made during the year for purchase of Property, Plant and Equipment.

11. RIGHT OF USE ASSETS-GROUP/COMPANY

	2022 Rs.	2021 Rs.
Leasehold Lands (Note 11.2)	43,268,347	45,233,608
Leasehold Motor Vehicles (Note 11.2)	-	2,763,330
	43,268,347	47,996,938

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 2022 Rs.	Annual Rental 2021 Rs.
Leasehold lands					
Hotel Building	SLTDA	1	2005 - 2045	2,806,034	2,481,951
Administration Building	BOI	2	2005 - 2035	247,616	292,307
Organic Garden	BOI	1	2014 - 2064	464,567	577,691
Driver Quarters	Other	1	2011 - 2021	60,000	240,000
				3,578,217	3,591,949
Other Assets					
Motor Vehicles	Bank of Ceylon		2017 - 2021	5,946,020	7,135,224
Total lease rentals				9,524,237	10,727,173

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

	Lands Rs.	Motor Vehicles Rs.	Total Rs.
As at 31 March 2021	45,233,608	2,763,330	47,996,938
Depreciation expenses	(1,912,906)	(2,763,330)	(4,676,236)
Remeasurements	(52,355)	-	(52,355)
As at 31 March 2022	43,268,347	-	43,268,347

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

	2022 Rs.	2021 Rs.
Depreciation expense of right-of-use assets	4,676,236	7,521,222
Interest expense on lease liabilities	6,969,442	7,430,562
Total amount recognised in profit or loss	11,645,678	14,951,784

The Group had total cash outflows for leases of Rs. 10,271,376/- during the year (2021 - Rs. 10,727,173/-). 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

Non-Quoted Investments	Holding 2022 %	Holding 2021 %	Cost 2022 Rs.	Cost 2021 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.

13. INTANGIBLE ASSETS - GROUP

13.1 Cost

	Balance As at 01.04.2021 Rs.	Additions Rs.	Disposals Rs.	Balance As at 31.03.2022 Rs.
Computer Software	16,254,430	-	-	16,254,430
	16,254,430	-	-	16,254,430

13.2 Amortisation

Computer Software	13,361,921	1,197,836	-	14,559,757
	13,361,921	1,197,836	-	14,559,757

13.3 Net Book Values

	2022 Rs.	2021 Rs.
Computer Software	1,694,673	2,892,509

13.4 Computer Software are amortised over 05 years

14. FINANCIAL LIABILITIES

14.1 Interest Bearing Loans and Borrowings

	Group	
	2022 Rs.	2021 Rs.
Current Interest Bearing Loans and Borrowings		
Bank Loans (Note 14.1)	45,274,915	131,428,572
Bank Overdrafts (Note 18)	-	8,541,644
Lease Liabilities (Note 14.1.2)	2,521,924	5,706,550
Total Current Interest Bearing Loans and Borrowings	47,796,839	145,676,766
Non Current Interest Bearing Loans and Borrowings		
Bank Loans (Note 14.1)	37,430,132	94,214,873
Lease Liabilities (Note 14.1.2)	55,733,519	55,712,127
Total Non Current Interest Bearing Loans and Borrowings	93,163,650	149,927,000

14.1.1 Bank Loans

Bank of Ceylon (BOC) - Working capital loans	2022 Rs.	2021 Rs.
Opening balance	225,643,445	148,414,682
Loans received during the year	-	72,000,000
Recognition/Remeasurement of government grant	3,289,714	(17,352,902)
Interest accrued during the year	19,723,211	25,788,274
Interest payments	(3,337,658)	(3,206,609)
Capital repayments	(162,613,665)	-
	82,705,047	225,643,445
Current	45,274,915	131,428,572
Non-Current	37,430,132	94,214,873
	82,705,047	225,643,445

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 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. This loan has restructured during the year and ceased the interest subsidy.

Terms and Conditions

Purpose - Working Capital Requirements
Repayment Period - 24 Months
Ramaning installments - 24 Months
Rate of Interest- AWPLR + 2% per annum
Security- Primary mortgage over the property situated at Koggala, Habaraduwa. (Carrying value of the property is Rs. 705 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
Ramaning installments - 03
Rate of Interest- 4% per annum
Security- Primary mortgage over the property situated at Koggala, Habaraduwa. (Carrying value of the property is Rs. 705 Mn).

Interest expense

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

	2022 Rs.	2021 Rs.
Interest on working capital loan	19,723,211	25,788,274
Setoff with Government grant	(15,056,492)	(17,664,652)
Net interest cost recognised in the statement of profit or loss	4,666,719	8,123,622

14.1.2 Lease Liabilities

	Lands	Motor Vehicles (Note 14.2)	Total
	Rs.	Rs.	Rs.
At the Beginning of the Year	55,776,005	5,642,672	61,418,677
Capital Payments	-	(5,642,672)	(5,642,672)
Interest Accrued on Lease Liabilities	2,340,739	-	2,340,739
Remeasurements	138,699		138,699
As at 31 March 2022	58,255,443	-	58,255,443
Lease Payments			
Gross Payments	(4,325,356)	(5,946,020)	(10,271,376)
Interest expense recognised as finance expense	6,666,095	303,347	6,969,442
Capital Payments	2,340,739	(5,642,673)	(3,301,934)
Current	2,521,924	-	2,521,924
Non-Current	55,733,519	-	55,733,519

Lease liabilities are effectively secured as the rights to the leased assets recognised 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

	2022	2021
	Rs.	Rs.
Food and Beverages	5,335,943	4,290,742
House Keeping and Maintenance	9,063,137	9,753,476
Stationary, Consumables and Others	5,407,202	4,285,754
	19,806,282	18,329,972

16. TRADE AND OTHER RECEIVABLES - GROUP

	Group		Company	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Trade Receivables	30,443,340	3,067,943	-	-
Other Receivables - Related Parties **(Note 16.1)**	-	-	97,019,225	101,092,187
Other Receivables - Other	17,026,992	13,328,337	-	-
	47,470,332	16,396,281	97,019,225	101,092,187

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.
2022	30,443,340	26,669,730	2,982,651	790,959	-	-	-
2021	3,067,943	1,265,732	1,802,211	-	-	-	-

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 historical payment patterns in assessing the provision matrix and the Group do not have significant delays in receiving the payments and all the receivables are from reputed customers. Provision based on ECL method is immaterial to the consolidated financial statements.
- Refer Note 27 on credit risk of Trade Receivables, which discuss how the Group measure credit quality of Trade Receivables that are neither past due nor impairment.

16.1 Other Receivables - Related Parties

Company	Relationship	2022 Rs.	2021 Rs.
La Forteresse (Private) Limited	Subsidiary Company	97,019,225	101,092,187

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

	2022 Rs.	2021 Rs.
Investments in Fixed Deposits (Note 17.1)	525,768,100	639,756,356

17.1 Investment in fixed deposits at amortised cost

	2022 Rs.	2021 Rs.
LB Finance PLC	325,584,214	316,250,395
Vallible Finance PLC	134,794,705	309,536,173
Bank of Ceylon	65,389,181	13,969,789
	525,768,100	639,756,356

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

The Central Bank of Sri Lanka adopted a tightening monetary policy stance during the latter half of the financial year, resulting in an upward trend in interest rates. Group has placed majority of deposits for 3 or 6 Months period and accordingly, Group has reinvested those deposits at revised interest rates during the latter part of the year and subsequent to the reporting date.

18. CASH AND CASH EQUIVALENTS IN THE CASH FLOW STATEMENT

Components of Cash and Cash Equivalents

	Group		Company	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Favorable Cash and Cash Equivalent Balances				
Cash and Bank Balances	44,868,778	9,234,923	44,244	26,045
	44,868,778	9,234,923	44,244	26,045
Unfavorable Cash and Cash Equivalent Balances				
Bank Overdraft	-	(8,541,644)	-	-
Total Cash and Cash Equivalents for the Purpose of Cash Flow Statement	44,868,778	693,278	44,244	26,045

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

19. STATED CAPITAL - COMPANY/ GROUP

	2022 Number	Rs.	2021 Number	Rs.
Fully paid Ordinary Shares	110,886,684	1,108,866,840	110,886,684	1,108,866,840
	110,886,684	1,108,866,840	110,886,684	1,108,866,840

20. RETIREMENT BENEFIT OBLIGATION - GROUP

	2022 Rs.	2021 Rs.
Defined Benefit Obligation - Gratuity		
Balance at 1 April	17,591,955	17,090,528
Current Service Cost	2,045,221	2,140,129
Interest Cost	1,231,437	1,794,505
Actuarial (Gain)/Loss	1,350,443	(820,102)
Benefits paid	(3,111,452)	(2,613,105)
Balance at 31 March	19,107,604	17,591,955

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

Cost of Sales	760,045	714,721
Administrative Expenses	2,516,613	3,201,397
Other Comprehensive Income	1,350,443	(820,102)
	4,627,101	3,096,016

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,

	2022	2021
Discount Rate	11%	7%
Future Salary Increment Rate	3%	3%

20.3 Sensitivity of the principal assumptions used

	Expected Future Salaries		Discount Rate	
	1% increase Rs.	1% decrease Rs.	1% increase Rs.	1% decrease Rs.
2022				
Change in Present value of Defined Benefit Obligation	1,204,313	(1,105,376)	(948,073)	1,044,039
2021				
Change in Present value of Defined Benefit Obligation	1,737,234	(1,311,533)	(1,183,185)	1,612,005

20.4 The average duration of the defined benefit plan obligation at the end of the reporting period is 9 years (2021 - 9 Years).

21. TRADE AND OTHER PAYABLES

	Group		Company	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Trade Creditors	18,426,914	14,394,785	-	-
Other Payables	34,883,362	23,038,256	-	-
Accrued Expenses	5,444,811	6,800,740	1,883,428	1,994,429
	58,755,087	44,233,782	1,883,428	1,994,429

Terms and Conditions of the above financial liabilities
- Trade and Other Payables are non-interest bearing
- Trade Payables are normally settled on 30 - 120 day terms.

22. CONTRACT LIABILITIES

	Group	
	2022 Rs.	2021 Rs.
Advances received for future bookings	59,508,338	25,913,772
Opening Balance	25,913,772	23,492,298
Advance received during the year	224,626,308	4,722,436
Refunds due to cancellation of bookings	(19,225,505)	-
Setoff against the receivables	(171,806,237)	(2,300,962)
Closing Balance	59,508,338	25,913,772

23. GOVERNMENT GRANTS

	Group	
	2022 Rs.	2021 Rs.
Opening balance	18,346,206	18,657,956
Recognised during the year	-	17,352,902
Setoff against interest expenses during the year	(15,056,492)	(17,664,652)
Reameasurements	(3,289,714)	-
Closing balance	-	18,346,206
Current	-	15,056,492
Non-Current	-	3,289,714

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

24. COMMITMENTS AND CONTINGENCIES

24.1 Capital Expenditure Commitments

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

24.2 Contingent Liabilities

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

24.3 Lease commitments - Group as lessee

Land Lease

The hotel building has been constructed in a Land which belongs to the Ceylon Tourist Board and the Group has entered in to a lease agreement with them starting from 01 August 2005 and ends on 31 July 2035. There is a possibility of extend the lease period for further 10 years if the Group is wishes to do so. Lease rentals are paid on monthly basis and rent is been revised for every five year intervals as per the agreement. The hotel service building is situated in a land belongs to BOI and entered in to a similar agreement with them starting from 28 January 2005 and ends on 27 January 2035. Rentals are been prefixed for the entire period and paid on yearly basis. Both leases of lands used to organic garden and diver quarters are statring from 2014 and ends on 2064.

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:

	2022		2021	
	Minimum payments Rs.	Present value of payments (Note 14.1.2) Rs.	Minimum payments Rs.	Present value of payments (Note 14.1.2) Rs.
Within one year	4,305,675	2,961,020	10,304,387	5,706,550
After one year but not more than five years	26,711,079	7,330,642	18,598,622	216,274
More than five years	210,566,263	47,963,781	222,951,382	55,495,851
Total minimum lease payments	241,583,017	58,255,443	251,854,391	61,418,675
Less amounts representing finance charges	(183,327,574)	-	(190,435,716)	-
Present value of minimum lease payments	58,255,443	58,255,443	61,418,675	61,418,675

25. RELATED PARTY DISCLOSURES

Details of significant related party disclosures are as follows:

25.1 Transactions with the Parent and Related Entities

	Subsidiaries	
	2022 Rs.	2021 Rs.
As at 1 April	101,101,186	104,500,049
Recurring related party transactions		
Settlements during the year	-	1,066,405
Expenses Incurred on behalf of the Company	(4,072,962)	(4,465,268)
As at 31 March	97,028,224	101,101,186
Included in		
Trade and Other Receivables	97,019,225	101,092,187

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. All the transactions were carried out at arm's length basis on an agreed terms and conditions 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	2022 Rs.	2021 Rs.
Short Term Employment Benefits	10,627,680	14,435,835

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.

Recurring transactions Related Party	Nature	Terms	2022 Rs.	2021 Rs.
LB Finance PLC	Investment in Fixed Deposits	Market Terms	70,000,000	41,000,000
(Investments on 3, 6 Months and 12 Months FDs as Market Rate)	Withdrawal of Fixed Deposits	Market Terms	55,000,000	33,500,000
	Interest Income	Market Terms	20,107,172	34,535,986
	Balance as at 31 March		325,584,214	316,250,395
Vallibel Finance PLC	Investment in Fixed Deposits	Market Terms	20,000,000	-
(Investments on 3, 6 Months and 12 Months FDs as Market Rate)	Withdrawal of Fixed Deposits	Market Terms	176,000,000	45,000,000
	Interest Income	Market Terms	10,546,225	32,984,424
	Balance as at 31 March		134,794,705	309,536,173

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.

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 summarised below.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise four types of 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 2022 and 2021.

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:

The working capital loan obtained under the scheme proposed by Government to strengthen the tourism industry affected by the Easter Sunday Terror Attack has rescheduled with effective from 01 April 2022.

	Increase/ decrease in basis points	Effect on profit before tax
2022		
Interest Bearing Loans and Borrowings	+/- 50	+/- 1,128,217
2021		
Interest Bearing Loans and Borrowings	+/- 50	+/- 175,250

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

Foreign currency risk

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

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

	Change in GBP/ EURO rate	Effect on profit before tax	Effect on equity
2022	+/- 5%	+/- 2,526,475	+/- 2,172,769
2021	+/- 5%	+/- 423,314	+/- 364,050

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 current economic circumstances in evaluating the credit risk of trade receivables. The Management has monitored the effect of the 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.

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.

The Group has Rs. 525,768,100/- of short term deposits and Rs. 44,868,778/- of cash balance 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. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular 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 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 summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

Year ended 31 March 2022	On demand Rs.	Less than 3 months Rs.	3 to 12 months Rs.	1 to 5 years Rs.	More than 5 Years Rs.	Total Rs.
Bank Loans	-	15,621,714	28,750,000	38,333,334	-	82,705,047
Lease Liabilities	-	1,074,592	3,231,083	26,711,079	210,566,263	241,583,017
Trade and other payables	-	18,426,914	40,328,173	-	-	58,755,087
	-	35,123,220	72,309,256	65,044,413	210,566,263	383,043,152

Year ended 31 March 2021	On demand Rs.	Less than 3 months Rs.	3 to 12 months Rs.	1 to 5 years Rs.	More than 5 Years Rs.	Total Rs.
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	-	-	44,233,781
	8,541,644	50,170,326	127,320,224	106,242,688	222,951,382	515,226,263

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.

	2022 Rs.	2021 Rs.
Interest-bearing loans and borrowings (Note 14)	140,960,489	295,603,766
Trade and other payables (Note 16)	58,755,087	44,233,782
Less: Cash and cash equivalents (Note 18)	(44,868,778)	(9,234,923)
Net debt	154,846,798	330,602,625
Equity	1,628,664,749	1,596,777,329
Total capital	1,628,664,749	1,596,777,329
Capital and net debt	1,783,511,547	1,927,379,954
Gearing ratio	9%	17%

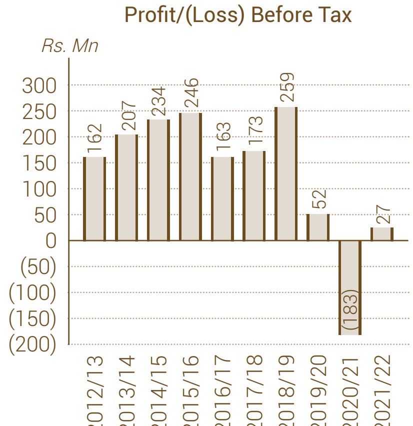
No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2022 and 2021.

Ten Year Summary - Group

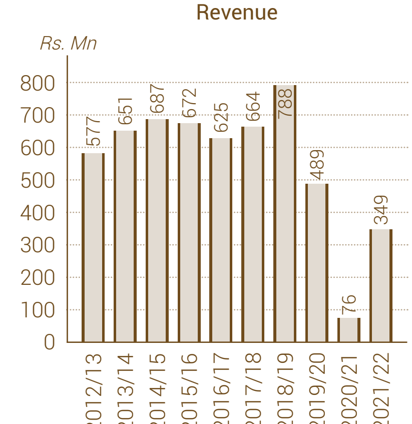
(Figures in Rs. 000 unless otherwise stated)

Year Ended 31 st March	2012/ 2013	2013/ 2014	2014/ 2015	2015/ 2016	2016/ 2017	2017/ 2018	2018/ 2019	2019/ 2020	2020/ 2021	2021/ 2022
TRADING RESULTS										
Turnover (Gross)	577,724	650,526	686,977	672,479	625,422	663,750	787,787	489,320	74,666	349,167
Profit/(Loss) from operations	321,759	350,498	342,861	353,584	266,280	250,358	336,875	144,255	(85,816)	116,490
Depreciation and Amortisation	107,601	104,259	106,006	106,006	102,924	74,221	75,494	81,368	81,084	77,471
Interest	52,445	39,244	2,795	1,126	405	3,125	2,300	10,554	15,711	11,736
Profit/(Loss) Before Tax	161,713	206,995	234,060	246,452	162,951	173,012	259,081	52,333	(182,611)	27,283
STATED CAPITAL & RESERVES										
Stated Capital	1,108,867	1,108,867	1,108,867	1,108,867	1,108,867	1,108,867	1,108,867	1,108,867	1,108,867	1,108,867
Revenue Reserves	(70,785)	105,893	295,300	371,832	505,655	646,211	744,405	662,810	487,909	519,797
Shareholders' Funds/Net Assets	1,038,082	1,214,760	1,404,167	1,480,699	1,614,522	1,755,079	1,853,105	1,771,677	1,596,776	1,628,664
Long Term Loans/Deferred Liabilities	324,000	45,000	-	-	33,298	22,010	17,169	148,415	225,643	82,705
Capital Employed	1,362,082	1,259,760	1,404,167	1,480,699	1,647,820	1,777,089	1,870,274	1,920,092	1,822,419	1,711,369
ASSETS EMPLOYED										
Current Assets	304,569	287,758	487,051	666,594	431,189	583,071	716,951	781,680	711,869	668,076
Current Liabilities	126,420	137,295	88,955	110,753	107,756	130,498	137,998	180,777	240,877	169,509
Working Capital	178,149	150,463	398,096	555,841	323,433	452,573	578,953	600,903	470,992	498,567
Fixed Assets	1,186,146	1,109,437	1,047,266	972,276	1,360,689	1,375,574	1,347,190	1,379,315	1,318,989	1,251,190
Capital Employed	1,364,295	1,259,900	1,445,362	1,528,117	1,684,122	1,828,147	1,926,143	1,980,218	1,789,981	1,749,757
RATIO & STATISTICS										
Gearing (%)	24	4	0	0	2	1	1	13	17	4
Current Ratio (times)	2.41	2.10	5.48	6.02	4.00	4.47	5.20	4.32	2.96	3.94
Earnings Per Share (Rs.)	1.39	1.59	1.71	1.69	1.22	1.27	1.89	0.25	(1.58)	0.30
Net Assets Per Share (Rs.)	9.36	10.95	12.66	13.35	14.56	15.83	16.71	15.98	14.40	14.69
Return On Capital Employed (ROCE) (%)	12	16	17	16	10	8	11	1.43	(10)	2
Return On Equity (%)	16	17	17	17	10	8	11	1.55	(11.00)	2
Debt to Total Assets (%)	22	3	-	-	2	1	1	7	13	4
Interest Cover (times)	4.08	6.27	85	220	402	55	113	6	(11)	3
Earnings Before Interest & Tax (EBIT) (Rs.000')	214,158	246,239	236,855	247,578	163,356	176,137	261,381	62,887	(166,900)	39,019
Asset Turnover (%)	49	59	66	69	46	27	41	25	4	20

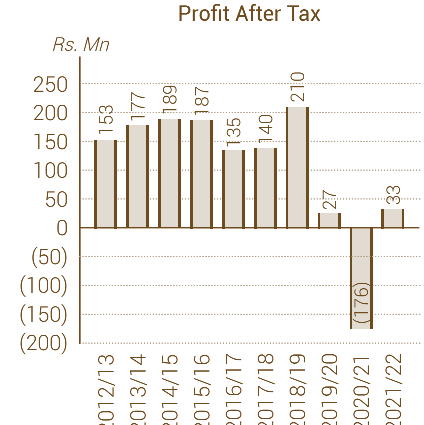
Profit/(Loss) Before Tax



Revenue

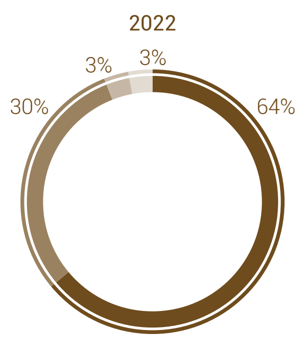


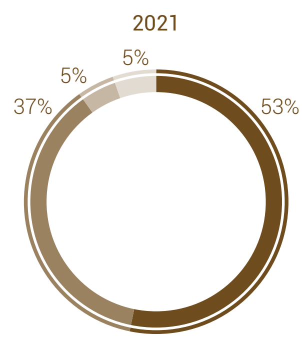
Profit After Tax



Group Value Added Statement

Direct Economic Value Generated	2022 Rs. 000'	2021 Rs. 000'
Revenue (including other income)	372,994	75,363
Finance income	32,183	68,553
Proceeds from sale of Property, Plant & Equipment	1,791	430
	406,968	144,346
Economic Value Distributed		
Operating costs	248,881	183,516
Employee wages and benefits	117,277	127,300
Payments to providers of funds	11,736	15,711
Payments to government	11,495	18,331
	389,389	344,858
Economic Value Retained	17,579	(200,512)





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

Shareholder Information

	Name	As at 31st March 2022 No. of Shares	%	As at 31st March 2021 No. of Shares	%
1	M J F HOLDINGS LTD	28,616,411	25.81	28,616,411	25.81
2	VALLIBEL LEISURE (PRIVATE) LIMITED	24,417,932	22.02	24,417,932	22.02
3	VALLIBEL ONE PLC	20,618,257	18.59	20,618,257	18.59
4	MR K.D.D. PERERA	10,329,317	9.32	10,329,317	9.32
5	L.B. FINANCE PLC.	4,051,100	3.65	4,051,100	3.65
6	MR M.J. FERNANDO	2,124,400	1.92	2,124,400	1.92
7	BANK OF CEYLON NO. 1 ACCOUNT	1,461,100	1.32	1,461,100	1.32
8	SEYLAN BANK PLC/JAYANTHA DEWAGE	1,441,400	1.30	1,441,400	1.30
9	MR A.P.L. FERNANDO	1,141,400	1.03	1,124,961	1.01
10	MOTOR SERV ICE STATION (PRI VATE) LTD	1,026,853	0.93	333,678	0.30
11	MRS N.U.D. ARIYARATNA	843,483	0.76	843,483	0.76
12	MR M.J. FERNA NDO	833,333	0.75	833,333	0.75
13	MR D.C. FERNANDO	833,333	0.75	833,333	0.75
14	DR D. JAYA NNTHA	621,000	0.56	621,000	0.56
15	SEYLAN BANK PLC/BERTRAM MANSON AMARASEKARA	550,000	0.50	550,000	0.50
16	MR M.P.D. COORAY	459,204	0.41	443,335	0.40
17	ANVERALLY AND SO NS (PVT) LTD A/C NO 01	373,810	0.34	373 ,810	0.34
18	ROYAL CERAM ICS LANKA PLC.	336,100	0.30	336,100	0.30
19	MERCHANT BANK OF SRI LANKA & FINANCE PLC/SA A HASITHA	300,200	0.27	333,678	0.30
20	SEYLAN BANK PLC./ A M NIMESHA ANURUDDHA ABEYKOON	295,161	0.27	550,000	0.50
		100,673,794	90.79	100,236,628	90.40
	OTHERS	10,212,890	9.21	10,650,056	9.60
		110,886,684	**100.00**	**110,886,684**	**100.00**

SHARE DISTRIBUTION

Share Holding as at 31st March 2022

From	To	No. of Holders	No. of Shares	%
1	1 ,000	1 ,234	407,937	0.37
1,001	1 0,000	538	2,111,164	1.91
1 0,001	100 ,000	163	4,753,887	4.29
100,001	1 ,000,000	28	8,385,526	7.56
Over 1 ,000,000		10	95,228, 1 70	85.88
		1,973	**110,886,684**	**100.00**

CATEGORIES OF SHAREHOLDERS

Local Individuals	1,828	24,854,080	22.41
Local Institutions	124	85,734,623	77.32
Foreign Individuals	21	297,981	0.27
Foreign Institutions	0	-	0
	1,973	**110,886,684**	**100.00**

DIRECTORS' AND CEO'S SHAREHOLDING AS AT 31ST MARCH 2022

		No. of Shares	%
I	Mr. Malik Joseph Fernando	833,333	0.75
2	Mr. Merril Joseph Fernando	2,124,400	1.92
3	Mr. K D Dhammika Perera	I0,329,317	9.32
4	Mr. L N De Silva Wijeyeratne	Nil	-
5	Mr. J A S S Adhihetty	13,741	0.0 1
6	Mr. Jan Peter Van Twest	Nil	-
7	Mr. Chatura Yishvajit Cabraal	Nil	-
8	Ms. A A K Amarasinghe (Alternate Director to Mr. Dhammika Perera)	Nil	-
9	Mr. K D Harindra Perera	Nil	-
10	Mr. R E Uvindra De Silva	Nil	-
11	Mr. C Umagiliya Weerawardena	Nil	-
12	Mr. R N Malinga (Alternate Director to Mr. Malik J Fernando)	Nil	-

SHARE PRICES FOR THE YEAR

	Market Price per Share	As at 31.03.2022	Date	As at 31.03.2021	Date
I	Highest during the year	15 .50	11 .02.2022	1 2.90	08.01.2021
2	Lowest during the year	9.80	26.08.202 1	6.50	1 2.05.2020
		9 .80	30.06.202 1		
3	As at End of Year	12.50	31.03.2022	11.20	31.03.2021

PUBLIC HOLDING

Public Holding percentage	17.61%
Number of shareholders representing the above percentage	1,963
The Float adjusted Market Capitalisation	Rs. 244,150,900.00

The Float adjusted market capitalisation of the Company falls under option 2 of rune 7.13.1(b) of the listing rules of the Colombo Stock Exchange and the Company has complied with the minimum public holding requirement applicable under the said option.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Thirty Eighth (38th) Annual General Meeting of the Company will be held at the Auditorium of the L B Finance PLC, Corporate Office, No.20, Dharmapala Mawatha, Colombo 3, on 29 June 2022 at 10.00 a.m. for the following purposes:

1. To receive and consider the Annual Report of the Board of Directors on the affairs of the Company and its subsidiaries and the Statement of Accounts for the year ended 31st March 2022, with the report of Auditors thereon.
2. To pass the ordinary resolution set out below to re-appoint Mr. Merril J Fernando, who is 92 years of age, as a Director of the Company.

   "IT IS HEREBY RESOLVED that Mr Merril J Fernando who is 92 years of age be and is hereby re-appointed a Director of the Company and it is hereby declared as provided for in Section 211(1) of the Companies Act, No. 07 of 2007 that the age limit of 70 years referred to in Section 210 of the Companies Act shall not apply to the said Director."
3. To pass the ordinary resolution set out below to re-appoint Mr L N de S Wijeyeratne, who is 72 years of age, as a Director of the Company.

   "IT IS HEREBY RESOLVED that Mr L N de S Wijeyeratne who is 72 years of age be and is hereby re-appointed a Director of the Company and it is hereby declared as provided for in Section 211(1) of the Companies Act, No. 07 of 2007 that the age limit of 70 years referred to in Section 210 of the Companies Act shall not apply to the said Director."
4. To pass the ordinary resolution set out below to re-appoint Mr J A S S Adhihetty, who is 72 years of age, as a Director of the Company.

   "IT IS HEREBY RESOLVED that Mr J A S S Adhihetty who is 72 years of age be and is hereby re-appointed a Director of the Company and it is hereby declared as provided for in Section 211(1) of the Companies Act, No. 07 of 2007 that the age limit of 70 years referred to in Section 210 of the Companies Act shall not apply to the said Director."
5. To re-elect Mr Malik J Fernando who retires by rotation pursuant to the provisions of Article 84 of the Articles of Association of the Company, as a Director.
6. To re-elect Mr Chatura V Cabraal who retires by rotation pursuant to the provisions of Article 84 of the Articles of Association of the Company, as a Director.
7. To re-appoint Messrs Ernst & Young, Chartered Accountants, as the Auditors of the Company and to authorise the Directors to fix their remuneration.
8. To authorise the Directors to determine donations for the year ending 31st March 2023 and up to the date of the next Annual General Meeting.

By order of the Board
THE FORTRESS RESORTS PLC

P W Corporate Secretarial (Pvt) Ltd
Director/Secretaries

At Colombo
23 May 2022

Notes
1. A Shareholder entitled to attend and vote at the meeting is entitled to appoint a proxy to attend, speak and vote on behalf of him/her.
2. A proxy need not be a Shareholder of the Company.
3. The Form of Proxy is enclosed for this purpose.
4. The completed Form of Proxy must be deposited at the Office of the Secretaries, No.3/17, Kynsey Road, Colombo 8, by 10.00 a.m. on 27.06.2022.

Notes

Notes

Form of Proxy

I/We*... (holder of NIC No..)

of ....

being a Shareholder/s* of THE FORTRESS RESORTS PLC, hereby appoint...

....(holder of NIC No......................................) of ....

....or failing him/her*

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

as my/our* proxy to represent and speak and vote for me/us* and on my/our* behalf at the Annual General Meeting of the Company to be held on 29.06.2022 and any adjournment thereof and at every poll which may be taken in consequence thereof.

I/We* the undersigned, hereby authorise my/our* proxy to speak and vote for me/us* and on my/our* behalf in accordance with the preference as indicated below

		For	Against
1)	To receive and consider the Annual Report of the Board of Directors on the affairs of the Company and its subsidiaries and the Statement of Accounts for the .year ended 31st March 2022, with the report of Auditors thereon		
2)	To pass the ordinary resolution set out under item 2 of the Notice of Meeting for the re-appointment of Mr Merril J Fernando as a Director.		
3)	To pass the ordinary resolution set out under item 3 of the Notice of Meeting for the re-appointment of Mr L N de S Wijeyeratne as a Director.		
4)	To pass the ordinary resolution set out under item 4 of the Notice of Meeting for the re-appointment of Mr J A S S Adhihetty as a Director.		
5)	To re-elect Mr. Malik J Fernando, who retires in terms of Article 84 of the Articles of Association as a Director of the Company		
6)	To re-elect Mr. Chatura V Cabraal, who retires in terms of Article 84 of the Articles of Association as a Director of the Company		
7)	To re-appoint Messrs Ernst & Young as Auditors and to authorise the Directors to determine their remuneration		
8)	To authorise the Directors to determine donations for the year ending 31st March 2023 and up to the date of the next Annual General Meeting.		

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

....
Signature of Shareholder/s

*Please delete as appropriate

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

INSTRUCTIONS AS TO COMPLETION

1. The full name, National Identity Card number and the registered address of the shareholder appointing the Proxy and the relevant details of the Proxy should be legibly entered in the Form of Proxy which should be duly signed and dated.
2. The completed Form of Proxy should be deposited at the Office of the Secretaries, P W Corporate Secretarial (Pvt) Ltd, No.3/17, Kynsey Road, Colombo 08, Sri Lanka by 10.00 a.m. on 27.06.2022.
3. The Proxy shall –
   (a) In the case of an individual be signed by the shareholder or by his/her attorney, and if signed by an Attorney, a notarially certified copy of the Power of Attorney should be attached to the completed Proxy if it has not already been registered with the Company.
   (b) In the case of a company or corporate/statutory body either be under its Common Seal or signed by its Attorney or by an Officer on behalf of the company or corporate/statutory body in accordance with its Articles of Association or the Constitution or the Statute (as applicable).
4. Please indicate with a 'X' how the Proxy should vote on each resolution. If no indication is given, the Proxy in his discretion will vote as he thinks fit.

Corporate Information

NAME OF THE COMPANY

The Fortress Resorts PLC

COMPANY REGISTRATION NO

PQ 207

LEGAL FORM

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

REGISTERED OFFICE

Level 29, West Tower
World Trade Center, Echelon Square
Colombo 01.

BOARD OF DIRECTORS

Mr. Dhammika Perera (Chairman)
(Alternate Director Ms.A A K Amarasinghe)
Mr. K D H Perera (Managing Director)
Mr. J A S S Adhihetty
Mr. Malik J Fernando
(Alternate Director Mr. R N Malinga)
Mr. Merril J Fernando
Mr. L N De Silva Wijeyeratne
Mr. Jan Peter Van Twest
Mr. C V Cabraal
Mr. C U Weerawardena
Mr. R E U De Silva

SUBSIDIARY COMPANIES

La Forteresse (Private) Limited.
Summer Season Mirissa (Pvt) Ltd.

HOTEL

The Fortress Resorts & Spa, Koggala
Telephone : 091 4389400
Fax : 091 4389458
Email: info@thefortress.lk

SECRETARIES

P W Corporate Secretarial (Pvt) Ltd.
No.3/17, Kynsey Road
Colombo 08.
Telephone : 011 4640360-3
Fax : 011 4740588
Email: pwcs@pwcs.lk

EXTERNAL AUDITORS

Ernst & Young
Chartered Accountants
201, De Seram Place,
Colombo 10.

INTERNAL AUDITORS

BDO Partners
Chartered Accountants
"Charter House"
65/2, Sir Chittampalam A Gardiner Mawatha
Colombo 02.

BANKERS

Bank of Ceylon
Sampath Bank PLC
Pan Asia Banking Corporation PLC

Concept & Designed by
Copyline
a great equation

THE FORTRESS RESORT & SPA

SRI LANKA

www.thefortress.lk