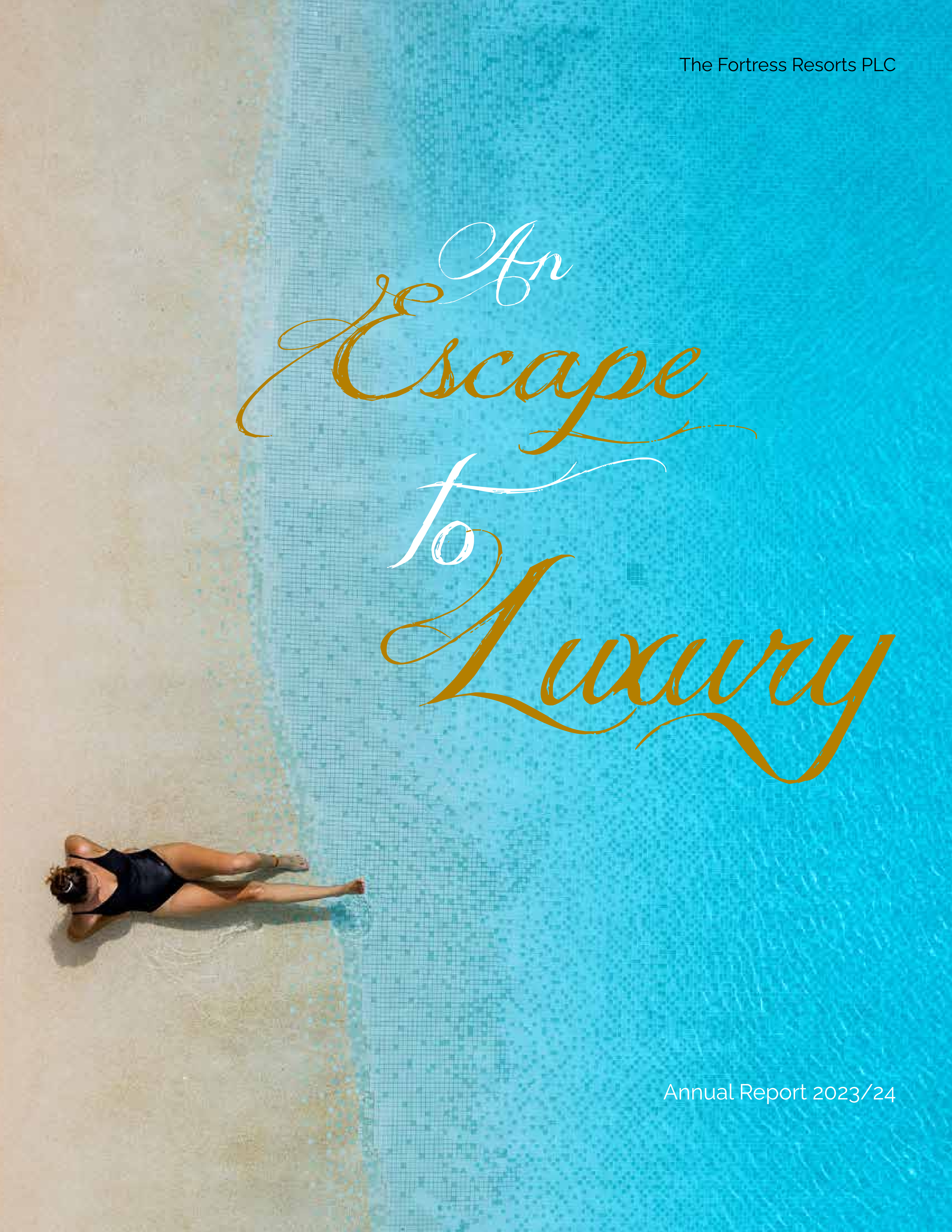
The Fortress Resorts PLC

An Escape to Luxury



Annual Report 2023/24

Contents

An Escape to Luxury

By being resilient, year after year, whilst also adapting to the ever changing global headwinds that vastly affected our country, The Fortress Resorts has emerged triumphant and is now on a path of greater growth. The unwavering support we have received from our management along with the tireless efforts from each and every member of our team has been the catalyst behind our success.

The Fortress has maintained its supreme service levels and ensured that all our guests have indulged in an unforgettable experience. The location of the hotel along with its colonial style setting has made us the premium choice for a destination wedding. Our lawns, filled with lush greenery, coupled with a scenic view of the Lankan beaches gives our esteemed guests the perfect escape into a world of unmatched luxury.

Group Financial Highlights

Year Ended 31 st March		2024	2023	2022
Earnings Highlights and Ratios				
Revenue	Rs'000	921,487	434,696	349,167
Earnings/(Loss) before interest and tax (EBIT)	Rs'000	274,049	7,144	39,019
Group profit/(loss) before tax (PBT)	Rs'000	266,705	(680)	27,283
Group profit/(loss) after tax (PAT)	Rs'000	212,342	(19,842)	33,049
Group profit attributable to the shareholders	Rs'000	206,202	(19,519)	31,887
Earnings/(loss) per share (EPS)	Rs.	1.91	(0.18)	0.30
EPS Growth	%	1,161	(160)	119
Interest cover	No of times	37	1	3
Return on Equity	%	12	(1)	2
Pre-tax ROCE	%	11	(1)	2
Balance Sheet highlights and ratios				
Total assets	Rs'000	2,178,190	1,826,630	1,919,266
Total debt	Rs'000	-	-	82,705
Total shareholder's funds	Rs'000	1,815,347	1,609,145	1,628,664
No. of shares in issue	Number	110,886,684	110,886,684	110,886,684
Net assets per share	Rs.	16.37	14.51	14.69
Debt/Equity	%	9	7	9
Debt/Total assets	%	9	7	8
Market/Shareholder information				
Market price of share as at 31 st March	Rs.	23.00	22.00	12.50
Market capitalisation	Rs'000	2,550,378	2,439,507	1,386,084
Price earnings ratio	No of times	12.01	(122.22)	41.67
Operational information				
Average occupancy	%	50	27	24
Number of room nights sold	Room nights	9726	5164	4636
Room revenue	Rs'000	549,729	246,198	206,042
Average room rate (ARR)	Rs.	56,520	47,676	44,444
Revenue per occupied room	Rs.	94,745	84,178	81,877
Net profit/(loss) per room	Rs'000	4,006	(374)	623

"In a great hotel, luxury is not a matter of expense, but of elegance and service."

- Neil Hamilton

Chairman's Message

" During the year under review, the Fortress resorts and spa recorded Rs 0.92 billion in revenue, indicating a growth of 112% in comparison to the previous year. Our profit before tax for the year under review was at Rs 0.27 billion. This was a significant improvement from the previous year's loss. "

Total Revenue

Rs.

921Mn

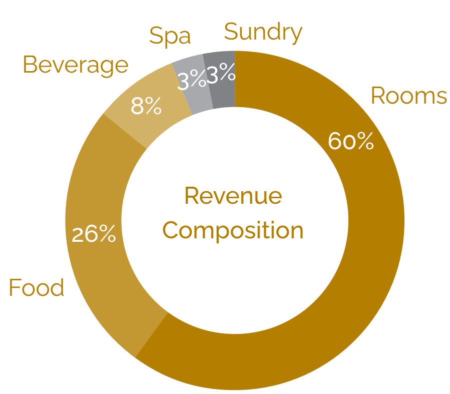
Profit Before Tax

Rs.

267Mn

Average Occupancy

50%



Resilience, pragmatic economic responses and forward-thinking were the cornerstones of success for Fortress Resorts and Spa during the past few years. In 2023, as the economy began to recover and the country's tourism sector stabilised, we were able to leverage on opportunities and respond well to challenges to stabilise our own performance, and continue on our sustainable growth trajectory. In this backdrop, I am pleased to present the Annual Report for the year 2023/24.

Operating context

The global economy continued to grow at a slower pace during the year under review, while central banks across the world implemented financial policies to manage inflation. However, as the post pandemic recovery accelerated across the globe in 2023, interest in travel and leisure increased. The emergence of the 'travelling class in China as well as the enhanced interest in personalised leisure travel, cultural experiences and retreat travel began to shape the global travel and leisure sector.

Meanwhile, in Sri Lanka, the economy began to stabilise by the fourth quarter of 2023, and the tourism industry and remittance earnings contributed to economic growth. While the economy is still recovering at a slower pace, Sri Lanka's current account recorded a surplus for the first time since 1977.

Tourist arrivals in Sri Lanka increased in 2023, in particular by December. As social unrest that prevailed in 2022 eased, travellers began to take an interest in Sri Lanka. In addition, the fact that Sri Lanka was recognised as a top travel destination, further increased tourism arrivals. Travellers from India, Russia, the United Kingdom, Germany and Australia made up the top percentage of tourist arrivals in Sri Lanka during the year under review.

Our response to the environment

The Fortress Resorts and Spa consistently conduct market research and remain attuned to changes. As such, we were well-prepared to align our own promotional plans and operational activities in line with the growing interest in travelling to Sri Lanka in 2023. In addition, we completed our infrastructure upgrading and development activities well in time to welcome the new wave of travellers. Mindful of the evolving needs and perceptions of travellers, we improved our facilities and offers, and trained our staff to facilitate guest requirements.

The opportune locality of our hotel and our facilities set us up to cater to the destination wedding segment. As such, we increased our focus in this market segment during the year under review.

Meanwhile, we continued with our targeted promotional activities to attract both foreign and local guests.

In response to the employee retention challenges that arose in the aftermath of the social crisis which led to a mass migration trend, we took measures to recruit new staff and retain existing staff.

Moreover, during the year under review, we continued to concentrate on our environmental sustainability efforts as well as supplier relationship management.

Company Performance

Our concentrated efforts as mentioned above, enabled us to increase average occupancy rate for the year to 50%. This was a considerable improvement when compared to the 27% occupancy rate recorded in 2022/23. The average room rate too increased to 177 USD in 2023/24 from 135 USD recorded in 2022/23. While tourist arrivals began to improve throughout the year, the last few months of 2023 indicated accelerated improvement.

During the year under review, the Fortress resorts and spa recorded Rs 0.92 billion in revenue, indicating a growth of 112% in comparison to the previous year. Our profit before tax for the year under review was at Rs 0.27 billion. This was a significant improvement from the previous year's loss.

We attribute improved performance that we achieved during the year under review to the economic and social revival of the country as well as our well-calculated efforts to manage the status quo to achieve positive outcomes.

Future outlook

While we remain cautiously optimistic about Sri Lanka's economic and social progress, Fortress resorts and spa will continue our own efforts to improve sustainability of operations. In addition, we plan on continuing to invest in environmental sustainability and our people to create value for all our stakeholders. In line with the changes that occur in the global arena, we will look to cater to different segments of the travel and leisure market.

Acknowledgement

We have come a long way from the crisis situation that prevailed over the past few years. The success we achieved during the year under review, was the result of the united efforts of different stakeholders. I wish to acknowledge their contribution express my gratitude. I am grateful to the Board of Directors for their inspiring leadership and guidance. I am also thankful to the dedication of our employees and management team that fueled our growth throughout the year. Let us continue to seek sustained growth, and create lasting value.

Mr. K D H Perera
Chairman

Board of Directors

Mr. K D H Perera
Chairman

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 PLC and Pan Asia Banking Corporation PLC.

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

Mr. Malik J Fernando
Director

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

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

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

Mr. Jan Peter van Twest
Director

Mr. Jan van Twest counts over 44 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.

Mr. L N de S Wijeyeratne
Director

Mr. Lalit N de Silva Wijeyeratne is a fellow of the Institute of Chartered Accountants of Sri Lanka and counts over Thirty-Seven 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

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

Board of Directors Contd.

Mr. C U Weerawardena
Director

Mr. Chethiya Umagiliya Weerawardena is an entrepreneur with 19 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.

Ms. Kawshi Amarasinghe
Director

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. R N Malinga *(ceased w.e.f. 31/12/2023)*
(Alternate Director to Mr. Malik J Fernando)

Mr. R.N. Malinga was appointed to the Board of The Fortress Resorts PLC as the Alternate Director to Mr. Malik J Fernando. He is a senior finance professional with over 25 years of experience, including 20 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 an MBA from the University of Colombo and BSc in Business Administration from the University of Sri Jayawardenapura.

Mr. Jitendra Romesh Gunaratne
Director

Mr. J. R. Gunaratne counts 41 years of experience in Strategic Planning, Production & Distribution, Industrial Relations and Change Management in the Food & Beverage, Plantations and Leisure Sectors.

During his career at John Keells Holdings PLC, he has held Directorships in several listed and private companies of the John Keells Group. He has been a Member of the Food Advisory Council of the Ministry of Health and a Member of the Council for Hotel & Tourism of the Employer's Federation of Ceylon. He was the Founder Chairman of the Beverage Association of Sri Lanka.

Mr. Gunaratne serves as the Non-Executive Chairman of Delmege Limited, Deputy Chairman of Link Natural Products (Pvt) Ltd and a Director of CIC Holdings PLC, CIC Feeds (Private) Limited, CIC Poultry Farms Limited, Lanka Tiles PLC and Royal Ceramics Lanka PLC.

Mr. Vasantha Leelananda
Director

Mr. Vasantha Leelananda counts over 40 years of experience in the hospitality industry in Senior Management positions in Sri Lanka with the John Keells Group. He served as the Executive Vice President of the Destination Management sector of the John Keells Group from 2005-2018 and Managing Director of Walkers Tours from 1997-2005. He holds an MBA from the University of Leicester. He was a past president of Sri Lanka Association of Inbound Tour Operators (SLAITO) for four years, A Board Member of the Sri Lanka Convention Bureau (SLCB) from 2003-2007, Sri Lanka Institute of Tourism and Hotel Management (SLITHM) from 2007- 2010, and American Chamber of Commerce (AMCHAM) from 2012-2014. He was also a Board Member of the Responsible Tourism partnership affiliated to the travel foundation UK, a Board Member of Sri Lanka Tourism Promotion Bureau (SLTPB) from 2015-2018 and a Director of Sri Lanka Business and Bio Diversity platform.

Mr. D C Fernando
Director

Mr. Dilhan C Fernando has a B.Sc (Hons) in Economics from the London School of Economics. He is Chairman & CEO of Dilmah Ceylon Tea Company PLC, Managing Trustee of the Merrill J Fernando Charitable Foundation and serves as Chair of both Global Compact Network Sri Lanka and Biodiversity Sri Lanka.

Board of Directors Contd.

Ms. K A Donna Brindhiini Perera
Director

Ms. Brindhiini Perera has earned a Masters in Mechanical Engineering from Imperial College London. Her studies included comprehensive coverage of subjects such as Manufacturing Technology and Management, Entrepreneurship, Corporate Finance, Statistics, and Mathematics.

She serves as a Non-Executive Director in several companies listed on the Colombo Stock Exchange including Vallibel One PLC, Royal Ceramics Lanka PLC, Lanka Tiles PLC, Lanka Walltiles PLC, Haycarb PLC, Dipped Products PLC, Hayleys Fabric PLC, The Kingsbury PLC, Hayleys Leisure PLC and Singer (Sri Lanka) PLC. She also serves on the Board of Eurocarb Products Ltd (UK), Delmege Limited, Otwo Biscuit (Private) Limited,The Canbury Biscuit Company Limited, Manatee Clothing Company (Pvt) Ltd and Dhammika & Priscilla Perera Foundation.

Mr. Amrit Merrill Joseph Fernando
(Alternate Director to Mr. D.C. Fernando)

Mr. Amrit M J Fernando is the third generation of the Fernando family, who founded Dilmah Tea in 1988. He is the grandson of Merrill J Fernando, the visionary who created Dilmah as a single-origin, pure Ceylon tea brand. Mr. Amrit Fernando has a B.Sc (Hons) in Marketing and Management from the University of Exeter.

He is currently Brand Marketing Specialist at Dilmah Tea as the first of the 3rd generation to join the family company. He is a Director at Suwa Arana representing the MJF Foundation, the first Paediatric Palliative Care Centre in Sri Lanka and Chair of Agriculture & Food Security Committee of the International Chamber of Commerce, Sri Lanka.

Management Discussion and Analysis

Global outlook

According to a report released by the International Monetary Fund (IMF), global economic growth decreased from 0.5% in 2022 to 3.0% in 2023. Responding to low economic growth, central banks across the globe, initiated policy changes in order to manage inflation. Meanwhile, the war in Ukraine and Russia continued to disrupt supply chain activities. As geopolitical tensions rose, financial markets and trade activities suffered. In advanced economies, the slowdown forecasts were from 2.6% in 2022 to 1.5% in 2023 and 1.4% in 2024, with the US economy recovering better than expected, while euro area economies lagged behind. Emerging markets and developing economies witnessed a decline in growth from 4.1% in 2022 to 4.0% in both 2023 and 2024.

In this backdrop, the IMF recommends fiscal policy makers to implement strategies to correct structural issues and encourage labour market participation.

Global tourism outlook

The WTM Global Travel Report released by Oxford Economics reveal that leisure travel has recovered strongly in the post pandemic era, with consumers opting for discretionary travel budgets. Meanwhile, growth in markets such as China is set to create a new 'travelling class.' Factors such as the aging population in advanced economies will influence travel trends. As evolving mindset of leisure travellers reshape the travel landscape, climate change threats will fuel sustainability consciousness in travel related matters. Travellers look for more personalised experiences and meaningful travel, a trend that will shape the future of travel.

In this backdrop, wellness and retreat tourism as well as eco travel have opened up avenues of progress in the market. While leisure travellers look for more personalised experiences, cultural tourism as well as 'Bleisure Travel' (blending leisure travel with business) has become relevant in today's travel arena. Meanwhile, there is a greater demand for 'accessible tourism' to make room for travellers with disabilities.

WTM Global Travel Report further revealed that demand for luxury travel as well as family-oriented experiences are on the rise. An article published by the Forbes magazine reveals that demand for destination wedding travel is also on the rise. Globally, the destination wedding industry earned 7 billion USD in 2023, when compared to the previous year. Demand for ecofriendly weddings and natural locations is high.

In travel promotion, marketing teams have begun to focus more on incorporating technology such as virtual reality (VR) to improve travellers' experience in planning stages as well as during travel.

Overview of the Sri Lankan economy
World Bank data reveals that the Sri Lankan economy indicated a downturn of 2.3% in 2023. Even though, the third and fourth quarters of the year showed signs of recovery, the downturn prevailed. Industries such as construction, financial, IT services and textile experienced a downward trend. The tourism industry began to recover, while remittances boosted economic prospects. In this backdrop, the country's current account recorded a surplus since 1977.

Headline inflation (measured by the Colombo Consumer Price Index) rose to 5.9% in February 2024, driven by food price inflation and the increase in utility price rates. Following two years of monetary policy tightening, the central bank implemented policy rate cuts by 650 basis points between June and November 2023. Meanwhile, private sector credit indicated signs of stability as liquidity improved. This was a result of the reduction in the government's cost of domestic borrowing.

While the country appears to be on the path of recovery, with the tourism sector and other economic activities picking up speed, there is still a need for fundamental structural changes, especially in debt servicing, fiscal management and trade promotion.

Tourism sector outlook

According to official data released by the Central Bank, the country's revenue from tourism increased by 80% to 2.1 billion USD from 1.1 billion USD in the previous year. As tourist arrivals increased after the political crisis in 2022, arrivals in December 2023 increased to 210,352 from 91,961 in the corresponding period of the previous year. Official data reveals that tourist arrivals in 2023 was 1,487,303, indicating a 106.6% growth from the year before.

Management Discussion and Analysis Contd.

This favourable development stemmed from the easing of crisis situation and social unrest as well as the recognition Sri Lanka received as a top travel destination. Key source markets for tourist arrivals for the year were India, Russia, the United Kingdom, Germany and Australia. The World Travel & Tourism Council's (WTTC) 2023 Economic Impact Research (EIR) revealed that the tourism sector in Sri Lanka recovering by 95% since the last peak in 2019 prior to the Easter Attack tragedy.

Key factors driving tourism growth in Sri Lanka

The country's coastal beauty and natural diversity has always been a key driver of tourism, while the rich cultural heritage appeal to travellers interested in exploring cultural experiences. As connectivity has been improving for the past decade with transportation network and other infrastructure development, the country's tourism sector has been on a growth trajectory on the whole in spite of recent dips due to external and internal challenges. However, as the status quo changed during the last year, creating space for growth.

Growth opportunities

In line with world tourism trends, Sri Lanka demonstrates growth opportunities to facilitate immersive experiential travel in view of the country's natural setting and rich heritage. As such, concepts such as eco-tourism as well as heritage tourism provide considerable growth potential in the country's tourism and leisure sector.

In addition, Sri Lanka's coastal beauty and natural locations provide an incentive for growth in destination weddings in the recent years. In addition, the diverse landscape creates space for adventure tourism. Meanwhile, as global travellers look for more authentic experiences with minimal impact on the environment and the local social fabric, Sri Lanka possesses the potential to provide sustainable experiences to such conscious travellers.

In this backdrop, wellness tourism is yet another avenue the country is already exploring. The country's connection to Ayurveda practices combined with the serene natural settings provide the opportunity to attract travellers seeking relaxation, rejuvenation, and spiritual healing.

While the tourism sector in the Sri Lanka show potential for growth, the country needs to work towards rebuilding confidence amongst potential travellers, and adapt to the new market conditions. The Government needs to further upgrade and expand transportation networks, improve road conditions and address other infrastructure issues to enhance connectivity and facilities. In the meantime, Sri Lanka tourism needs to look into integrating sustainable practices to growth initiatives in order to effectively manage the environmental and social impact, and charter the path of growth in a viable manner. This will ensure the long-term sustainability of the industry.

Sustainable Tourism Practices in Sri Lanka

As the country prepares to unlock our innate potential for sustainable growth in the tourism industry, the country has already implemented new initiatives to incorporate sustainability into volume growth. Community based tourism is one such initiative. This particular initiative provides local communities to benefit from tourism activities whilst also providing authentic experiences to travellers.

As the country moves forward in incorporating sustainable practices in the tourism sector, authorities are looking to promote responsible wildlife experiences through introducing relevant regulations that ensure the wellbeing of wildlife and natural eco systems.

Meanwhile, the hospitality industry players are looking to adopt environmentally sustainable practices into their operations whilst efficiently managing their carbon footprints through implementing robust energy conservation, water conservation and waste management strategies.

Government Initiatives to Promote Tourism in Sri Lanka

Seeking to unlock the true potential of Sri Lanka tourism, the Government introduced various policies designed to promote tourism activities. The Government provides tax relief to investors in the tourism infrastructure development arena, and encourages the private sector to be more involved in such activities.

Moreover, the Government has taken steps to improve the overall visitor experience, introducing an online visa system and simplifying visa facilitation.

The country's tourism rebranding campaign - "So Sri Lanka" aims to promote the country's natural beauty, cultural heritage, and warm hospitality.

Navigating the challenging year

The fundamental challenges in the current tourism sector in the country relate to the evolving trends and requirements in the industry. The introduction of sustainable tourism practices and a better understanding of travellers' expectations, will enable all entities in the sector to address these challenges.

Meanwhile, Fortress resorts and spa faced a number of challenges in maintaining our operations during the year under review.

Cost of production increased in view of inflation as well as the lack of essential items for day-to-day operations as the country's import ban continued. Cost of Production further increased as utility prices increased exponentially. In addition, the previous year's low arrivals had created a working capital deficiency. As such, the hotel's profitability suffered during May to November 2023.

Employee retention was yet another challenge, as the country's social status quo prompted individuals to migrate and seek employment overseas. The war between Ukraine and Russia caused fuel price hikes, which resulted in airfare hikes, which discouraged overseas travel. Higher insurance premiums also discouraged travellers. As economic conditions tightened in key source markets such as UK and Europe, Sri Lanka's ability to attract tourists took a setback.

Our responses to the challenges

In response to the myriad of challenges, the Fortress resorts and spa adopted a series of viable strategies to seek growth in spite of the status quo.

Challenge	Our response
Non-availability of imported ingredients and high prices	Designed menus incorporating easily accessible, local ingredients. Revises the prices of dishes that incorporated imported raw ingredients.
Employee retention challenges due to migration	Recruited trainees from the hotel school to fill vacancies. Salary increments to retain remaining staff
Lag in tourist arrivals	Local market promotions to attract leisure seekers from within the country
Utility price hike	Started a bio mass boiler project in May 2023 and completed it in February 2024 (The resulting cut down of diesel usage was 75%)

Meanwhile, in anticipation of tourist arrival improvements, we initiated a number of projects.

- Re-grouting and replacing tiles of Hotel's main swimming pool walls and other indoor pools during the off season at a cost of Rs. 11.2 million.
- Introduced a high bandwidth WiFi network at a cost of Rs. 1.5 million.
- Repaired structural damages to the hotel building at a cost of Rs.6.6 million.
- Repainted the hotel buildings entirely at a cost of Rs 5 million.
- Recruited a Chef of Indian origin to cater to the expected arrival of Indian guests, including destination wedding guests.

Company performance

Financial performance

The Fortress resorts and spa earned Rs 0.92 billion in revenue as at the end of the financial year illustrating a growth of 112% in comparison to the revenue of Rs 0.43 billion earned during the previous year. Gross profit for the year was at Rs 0.6 billion indicating a growth of 141% compared to the Rs 0.2 billion recorded during the previous year. The Company's profit before tax for the year under review was at Rs 0.26 billion recording a considerable improvement from the loss of Rs 14

Management Discussion and Analysis Contd.

million recorded as at the end of the previous financial year. Earnings per share for the fanatical year 2023/24 was at Rs 1.91.

The improved performance stemmed in general from overall revival of the tourism sector as the country began to recover from the social crisis, and particularly from the strategic actions of the Fortress resorts and spa to attract both local and foreign guests.

The below table depict the improvement in revenue.

	2023/24 Rs.	2022/23 Rs.	Increase %
Room revenue	549,728,703	246,198,340	123%
Food revenue	235,722,680	128,522,954	83%
Beverage revenue	78,682,215	35,039,068	125%
Spa revenue	29,106,732	14,524,058	100%
Sundry revenue	28,246,362	10,411,868	171%
Total revenue	921,486,693	434,696,288	112%

Operational performance

As guest arrivals increased from October 2023, the average occupancy rate for the year (2023/24) stood at 50% compared to the 27% recorded in 2022/23. The average room rate for the year was at 177 USD in comparison to the rate of 135 USD recorded in 2022/23. During the year under review, we were able to sell 9726 room nights during the year against 5164 room nights sold in the year 2022/23, illustrating a growth rate of 88%. The last few months of the year showed signs of further improvement with occupancy rates improving.

Month	Occupancy rate (%)
December 2023	76
January 2024	82
February 2024	83
March 2024	66

Future outlook

As Sri Lanka appears to be slowly emerging from the economic crisis, we remain hopeful of future growth potential of the tourism industry as well as the leisure sector. While our own strong performance and prospects indicate an upward growth trajectory, we will remain cautious and take pragmatic strategic steps to ensure sustainability of our performance. The Fortress hotel and spa's future growth strategy will strive to incorporate insights gained through our analysis of global market trends as well as our own potential and resources to cater to the evolving leisure industry. We will remain tuned into the mindset of potential guests and travelers to provide related facilities and services.

Sustainability Review

Sustainability strategy

The Fortress resorts and spa pivot our sustainability strategy on managing the environmental, social and economic impact of our operations in a purposeful and insight driven manner. We rely on our six-capital outlook to remain accountable, transparent and sustainable, whilst pursuing growth goals. To this end, we obtain clear business metrics on our financial, manufacturing, social and relationship, human, natural and intellectual capitals to seek optimisation of resources.

The below illustration depict how we have divided components of our sustainability strategy to remain engaged, transparent and effective:

Environmental Sustainability

Mindful of the climate change threat as well as our greater responsibility towards protecting the environment, we consistently take actions to minimise our carbon footprint and reduce consumption of natural resources.

During the year under review, we implemented and continued a number of action plans calculated to reduce our carbon footprint.

Sustainability Review Contd.

Goal	Action
Reduce the use of plastic	Introduce alternatives to plastic and measure progress by the number of kilograms reduced per annum
Minimise water consumption	Maintain plumbing systems at optimal operational capacity and implement water consumption reduction plans. Use the Sewage Water Treatment plant process to release clean water back to the environment and use much of the said water for gardening purposes. Measure progress by consumption per occupied room night in liters and number of litres re-used after treatment.
Reduce diesel consumption	Rely on the biomass boiler to reduce reliance on diesel. Measure progress by consumption per occupied room per night
Reduce LPG consumption	Implement efficiency of LPG usage. Measure progress by consumption per meal
Reduce electricity consumption	Introduce energy saving equipment and practices. Measure progress by consumption per occupied room nights in Kwh

During the year under review, Fortress hotel and spa introduced a number of initiatives designed to enhance environmental preservation focus.

We successfully launched our biomass boiler project to lessen our reliance on diesel as fuel for operational purposes. The biomass boiler produces heat to generate steam for the laundry area and heat water for use in guest bathrooms. The hotel invested Rs. 14.5 million on this project, and managed to complete the project within a short period of time. We will be able to benefit from and measure energy and cost savings from this project in the next few years.

In addition, we stopped the practice of offering plastic straws with beverages, and switched to providing paper straws when requested only. We also stopped the use of plastic bags for takeaway packaging and introduced paper packaging. Looking to minimise plastic usage, we provide bottled water in glass bottles in place of plastic bottles.

Meanwhile, we engage a local community small business owner to manage our dry and wet biodegradable garbage, with approval from the Central Environmental Authority. The business owner collects food waste from the hotel on a daily basis to be used in his pig farm. In line with our commitment to transparent and clean practices, the entire process is consistently monitored and supervised.

Moreover, during the year under review, we continued to practice the standards and measures implemented in 2019 to obtain the Green Globe certification.

The below tables illustrate our energy and water consumption statistics:

Energy consumption

Electricity consumption (Kwh)	2023/24	2022/23
Electricity units	1695301	1562769
Room nights	9726	5164
Consumption per room night	174	303

Diesel consumption (Liters)	2023/24	2022/23
Diesel consumed	71893	72503
Room nights	9426	5164
Consumption per room night	7.4	14

Water consumption (Liters)	2023/24	2022/23
Water consumed	26958000	20680000
Room nights	9726	5164
Consumption per room night	2772	4005

Relationship management

Stakeholder relationship management, and engaging our supplier base in our sustainability agenda is integral to the execution of our sustainability strategy. To this end, we maintain meaningful and respectful relations with all our stakeholders including suppliers, business partners, employees and community, through regular communication and practicing transparency in all our engagements.

Our supplier relationship management strategy involves regular meetings to determine day to day operational matters and quality assurance. In addition, we consistently process supplier payments within the stipulated time frame, a practice that allowed us earn supplier trust. In addition, our supplier base follows the same stringent environmentally friendly approach that we practice.

During the year under review, we provided training to our employees to assist them in their career growth. We provided ample remuneration to all employees throughout high and low seasons to facilitate their wellbeing. In addition, we maintain robust health and safety standards within our premises to ensure the physical and mental wellbeing of our employees.

While the economic crisis which led us to adopt stringent financial management practices in turn led to a temporary discontinuation of a number of CSR projects, we continued to engage local communities. Nevertheless, we contributed to a Tree planting programme organised by the Kathaluwa Central College in Ahangama with the donation of 50 saplings and sponsoring the provision of refreshments to participants.

Moreover, we sponsored a beach cleaning programme organised by school children, while our staff initiated three other similar programmes.

The Fortress resorts and spa holds membership of the following associations:

- Member of Tourist Hotel Association of Sri Lanka (THASL)
- Member of Hoteliers of South (HOST)
- Member of Ceylon Chamber of Commerce

Sustainable Procurement

We engage our suppliers in a meaningful manner to ensure sustainable practices across our procurement process. The Fortress resorts and spa purchasing committee oversee procurement related matters.

Purchasing Committee

All suppliers associated with the hotel go through a well-defined screening process, which evaluate the below criteria.

Following the above evaluation, we prepare a supplier approval form for each supplier and obtain clearance from all four members of the purchasing committee.

Sustainability Review Contd.

Quality Assurance

As a player in the luxury leisure market, ensuring the highest quality of our products and services is imperative to maintain sustainability of operations. While we practice comprehensive and stringent quality assurance measures in our operations, we engage our suppliers in a process to obtain high quality products.

As such, the purchasing committee, as mentioned above, evaluates suppliers on a periodical basis. In addition, our processed meat suppliers, as well as poultry and dairy suppliers, need to adhere to the ISO 22000 (food safety standards) or a similar and applicable safety standard. We require our suppliers to deliver perishable goods in well-equipped freezer trucks that maintain the require temperature and hygiene standards. At the point of receiving goods, we check the temperature and hygiene criteria, and return goods back that do not meet the standards.

We apply similar quality standard requirements to other supplier products as well.

Once we complete sourcing of goods and material, Fortress resorts and spa follow storage standards that include temperature monitoring. In addition, we conduct regular maintenance of our cold storages and other equipment to ensure smooth functioning of all equipment.

During the year under review, we upgraded the hotel loading bay to direct delivery trucks to a monitored (CCTV) receiving point. The loading bay is equipped with necessary scales and crates as well as safety equipment. The hotel provides protective gear such as gloves, boots and helmets whenever necessary.

The below list presents our compliance measures to ensure high standards in managing labour, health and safety as well as environmental concerns:

- Ensuring confidentiality with regard to supplier information including pricing
- Communicating health and safety standards to suppliers in advance
- Communicating our environmental practices and ethical standards to suppliers

Future outlook

As we seek to expand our business and aspire for lasting growth, we will keep on shaping our sustainability strategy to identify potential risks, and address concerns. Our sustainability strategy consistently remains in line with our growth targets.

Risk Management

As the Hotel navigates through a constantly shifting risk landscape, we continue to evolve in the face of geopolitical unrest, a sluggish global economy, and persistent macroeconomic hurdles in our domestic markets. In addition, social and environmental concerns, such as rising labor migration rates and the impact of climate change, present ever-increasing risks to our operations. We are committed to closely monitoring these developments and taking a proactive approach to identify both risks and opportunities. Through effective risk management strategies and responses, we aim to build resilience and create sustainable value for all our stakeholders.

Enterprise Risk Management

Enterprise Risk Management is an ongoing process where the Hotel identifies events that would affect the entity, assess them and respond accordingly to provide a reasonable assurance in achieving its objectives. In assessing the risks, the Hotel considers the existing and emerging risk factors that may impact the business. The risks are evaluated thereafter in terms of likelihood and impact, after which appropriate risk treatments are decided upon. Effective risk management is crucial to enhance value creation via sustainable business operations. A solid risk management framework ensures that the Board discharges its responsibilities in identifying, assessing and responding to the identified risks efficiently and effectively.

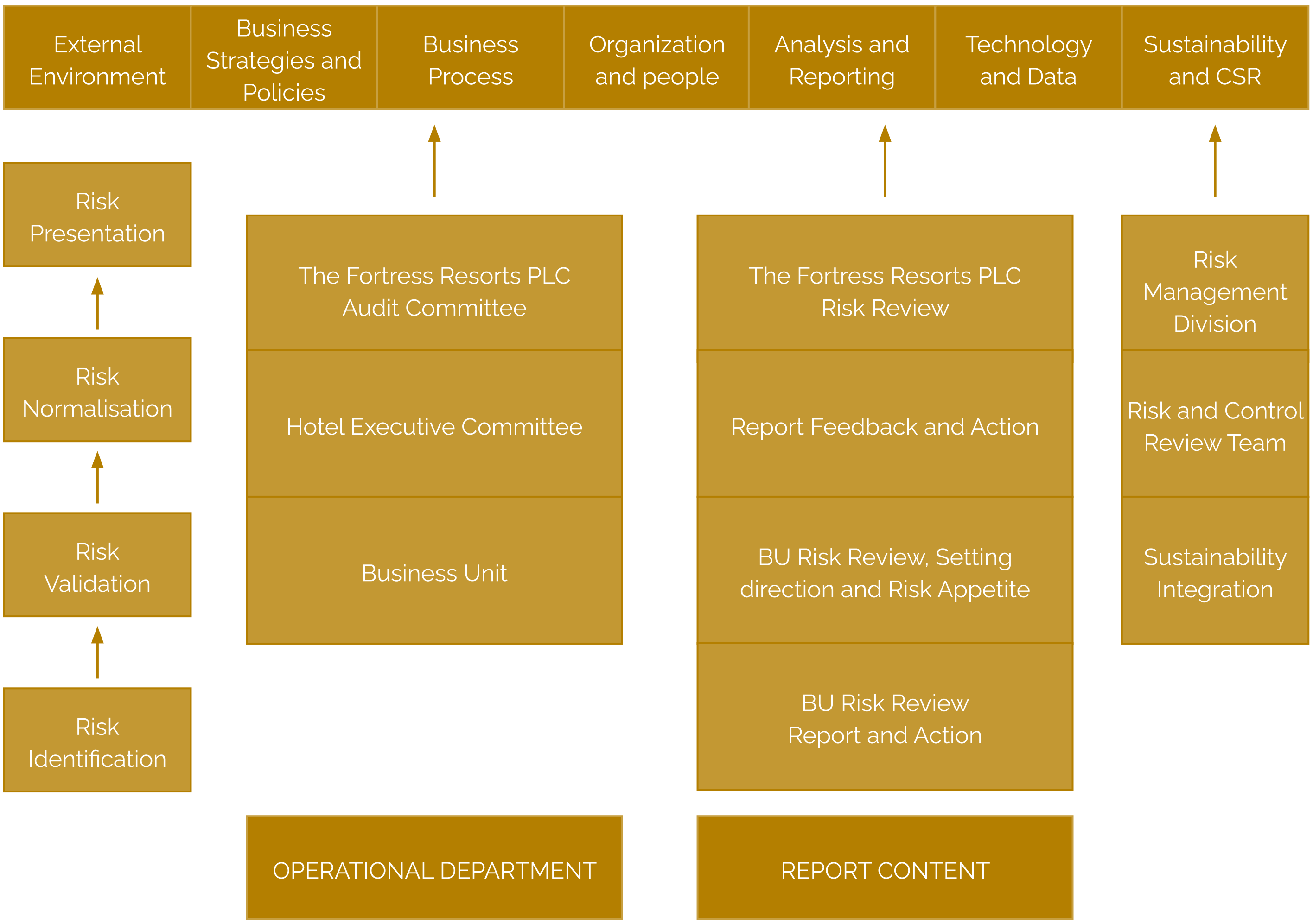
Risk Governance

The Board assumes the ultimate responsibility for managing risk. The Board is assisted by the Audit Committee, which oversees risk and internal control matters. The Fortress Group Business Process Review (BPR) Division and the outsourced Internal Auditors support the Audit Committee in performing its role of assurance through regular reviews and recommendations on the robustness of the internal control systems. In addition, the Hotel risk management team is responsible for the effective execution of the risk management framework.

Risk Management Process

Enterprise risk management is integral to strategy formulation and applied across all functions. Risk management is governed by a standard framework designed by the Hotel ensuring that risk management practices are standardised in the Hotel. In addition, ongoing review, assessment and guidance by the Hotel Sustainability and Enterprise Risk Management (ERM) division ensures alignment with Group Risk Management policies. The risk management process is carried out through a manual Enterprise Risk, Audit, and Incident Management platform that maintains a live and dynamic risk register for the Hotel.

Risk Management Contd.



The ERM Framework adopted by the Fortress and implemented by the Hotel involves the following:

1. Identification of types of risk Risk Event- Any event with a degree of uncertainty which, if it occurs, may result in the organisation or Business Unit failing to meet its stated objectives.

   Core Sustainability Risks - Core Sustainability Risks are those risks that have a catastrophic impact on and from the organisation. Still, they may have a very low or nil probability of occurrence.

2. We have established a Risk Register that includes the likelihood of occurrence and the potential severity of impact. We used Hotel guidelines to create a risk grid specifically for the Hotels. Every risk is analysed in terms of the likelihood of occurrence and severity of impact and assigned a score ranging from 1 (low probability/impact) to 5 (high probability/ impact) to signify the probability of occurrence and the level of impact on the organisation.

3. Use the matrix below to establish risk levels based on the values assigned for each risk.

Risk Matrix

Table 1 - Guideline for Rating Risk

Impact/Severity					
5. Catastrophic/Extreme Impact	5	10	15	20	25
4. Major/Very high Impact	4	8	12	16	20
3. Moderate/High Impact	3	6	9	12	15
2. Minor Impact	2	4	6	8	10
1. Low/Insignificant Impact	1	2	3	4	5
	Rare/Remote to occur 1	Unlikely to occur 2	Possible to occur 3	Likely to occur 4	Almost certain to occur 5
	Occurrence/Likelihood				

The Colour Matrix implies the following:

Priority Level	5	4	3	2	1
Colour Code	Very High	High	Medium	Low	Insignificant
Score	13 - 25	10 - 12	7 - 9	3 - 6	1 - 2

Risk Management Contd.

Risk Management Strategy

The Hotel follows a holistic approach to identify and manage risks where the risk management function is closely intertwined with its sustainability management framework and Corporate Social Responsibility (CSR) functions. Risk Management, therefore, extends beyond managing the operational and financial risks faced by the Company to incorporate broader environmental, community, employee, value chain and other non-financial risks related to Environmental, Social and Governance (ESG) considerations of the Company. The significant risk areas that impact the achievement of the strategic business objectives of the Company and the measures taken to address these risks are discussed below.

Key risks		Risk rating
operating environment	Geo-political developments	High
	Macro-economic and political environment	Ultra-High
	Threat from terrorism and civil unrest	High
	Change in consumer booking behavior	High
	Inflation risk	High
Financial Risks	Liquidity risk	Low
	Financial covenant breach	High
	Interest rate risk	High
	Credit risk	Low
	Exchange rate risk	High
Operational Risks	Talent attraction and retention	High
	Fuel prices and electricity tariffs risk	High
	Occupational health and safety	Medium
	Operational resilience to incidents or disruption or control breakdown	Medium
	Fraud and anti-corruption	Low
	Brand reputation impact	Medium
	Technology and data risk	Low
Environmental Risks	Climate change risk	Low

Impact Key

Ultra-High	High	Medium	Low	Insignificant

Operating Environment		
Risk Description	Impacted Strategic Imperative	Risk responses
Geo-Political developments Geo-political developments, including the conflicts between Russia and Ukraine and Israel and Palestine and the low levels of economic growth in key feeder markets.	Grow with intent	• Proactively implement marketing strategies to pursue other key feeder markets. • The company will continue to put efforts in to enhancing revenue in sales channels. • Preparing contingency plans.
Macro-economic and political environment Macro-economic instability in the domestic economy impacts both demand and supply factors.	Operate with excellence Grow with intent	• Scenario testing and proactively identifying action plans to mitigate risks. • The senior management of our Hotel actively participate in the development and promotion of economic policies by engaging in consultative committees, trade associations and policy making bodies.
Threat from Terrorism and civil unrest Possible attacks on Civilians and economic targets by terrorists may lead to civil unrest and imposition of travel advisories against Sri Lanka.	Operate with excellence	• Establishment of protocols as per the Business Continuity Plans (BCP) on action to be taken in such an event. • Appointment of vigilance officers in the hotel and establishment of reporting protocols. • Establishment of direct links with local intelligence for information on potential risks. • Review/Implementation of Emergency Response Plans for armed intrusions/hostage/ handling/isolation/bomb threat.
Change in consumer booking behavior Traveller needs are evolving rapidly in response to technological and socio-economic developments. Not responding to these changes impacts customer satisfaction levels.	Grow with intent	• Greater focus on revenue management to predict customer behavior. • Product and rate positioning were refined to correspond with the value proposition of the hotel/resort. • High level of guest engagement through satisfaction surveys, social media platforms and face-to-face interactions, including positioning staff with multilingual skills in guest interface areas. • Reassure employees and existing and potential guests of the Hotel's commitment to safety and well-being, through a dedicated page on the Hotel website. • Reviewing and innovating our experiential offerings to cater to evolving requirements.

Risk Management Contd.

Operating Environment		
Risk Description	Impacted Strategic Imperative	Risk responses
Inflation Risk Inflationary pressures can have a significant impact on our business and operational results.	Operate with excellence	• Supply chain management • Lock in short-term, medium-term, and long term supplier contracts. • Expanding supplier base • Build up stocks. • Menu re-engineering. • Cost-saving strategies.

Financial Risks		
Risk Description	Impacted Strategic Imperative	Risk responses
Liquidity risk Uncertainty about the effects of geopolitical uncertainty has adversely affected the Hotels Group financial results and growth. Hence, the immediate priority is to preserve cash flow and maintain its cash position and unutilised credit facilities to ensure sufficient liquidity going forward	Operate with excellence	• Preserving cash flow by reducing cash burn. • Pursue long-term funding options and minimise capital expenditure
Financial covenant breach Possibility of breaching financial covenants imposed by Banks due to financial constraints.	Operate with excellence	The Company and Hotel endeavors to maintain a strong financial position ensuring all covenants are complied with through the following measures: • Close monitoring and forecasting of possible covenant breaches and informing financial institutions of potential breaches. • Take precautionary measures to seek waivers from banks • Pursue covenant amendments from banks
Interest rate risk Impact of interest rate fluctuations on investments and borrowing costs	Operate with excellence Grow with intent	• Prudent management of financial assets • Closely monitoring interest rate movements in the market • Continuous negotiations with financial institutions • Diversifying the sources and tenors of debt

Financial Risks		
Risk Description	**Impacted Strategic Imperative**	**Risk responses**
Credit risk Risk of customers defaulting on payments	Operate with excellence	• Stringent credit policy in place • Evaluation of customer creditworthiness. • Obtaining periodic confirmation of outstanding balances • Regular follow-up on debtors • Weekly debtors meeting with Management
Exchange rate risk Devaluation of the Rupee is likely to increase operating cost base and finance cost of Dollar borrowings	Operate with excellence	• Regular monitoring of fluctuations in exchange rates and hedging the exposure by matching foreign currency earnings and payments • Inclusion of terms in third party agreements to mitigate foreign currency exposure

Operational Risks		
Risk Description	**Impacted Strategic Imperative**	**Risk responses**
Talent attraction and retention Attraction and retention of skilled employees is an ongoing challenge in the hospitality industry due to rising migration levels in the country	Operate with excellence	• Explore innovative recruitment and employment models such as part-time work and flexible work options to attract and retain non-traditional cohorts • Communicating Employer Brand Value proposition more effectively to attract and retain new employees • Ongoing investment in talent and competency development • Strengthening rewards and benefits schemes through global benchmarking and levelling exercises • Talent management and succession planning programmes for critical positions
Fuel prices and electricity tariff risk Energy cost is a significant component of our operational costs. Rising fuel and energy prices, therefore, impact the margins and financial performance of the Hotel	Operate with excellence	• Monitoring market prices of fuel and exchange rates and planning in advance • Evaluating alternative renewable energy sources • Engagement of energy experts to improve the energy efficiency

Risk Management Contd.

Operational Risks		
Risk Description	Impacted Strategic Imperative	Risk responses
Occupational health and safety Non-compliance with health and safety standards can disrupt operations and seriously impact brand reputation	Operate with excellence	• The Hotel has set environmental, health and safety policies and standards • Conducting periodic audits and addressing of gaps identified through training
Operational resilience to incidents or disruption or control breakdown The nature of our business continues to expose us to significant inherent operational risks, including factors related to safety, security, dependency on equipment, and operational finance controls	Operate with excellence	• Comprehensive schedule of preventive maintenance programmes • Valid service provider agreements with local spare part suppliers • Additional provisions for backup generators and identified generator providers in each resort location • Outsourced internal audits • Special investigations
Fraud and anti-corruption Possibility for fraud and engaging in corruption can lead to financial losses as well as reputational damages to the entity.	Operate with excellence	• Data driven analytics • Internal audits • Special investigations
Brand reputation impact Events that could negatively affect the reputation and relationships with key stakeholders	Operate with excellence	• Training and development of staff • Carrying out compliance audits/brand audits • Brand positioning, development, and marketing • Establishment of a Crisis Communication Plan/ Team and Spokesperson
Technology and data risk By its nature, our business involves managing large volumes of guests' data locally and globally Increased dependence on remote technology, including digital sales channels, remote working and online marketing, have increased the risk of cyber threats, making cyber security a priority to ensure no adverse impact on business operations and Hotel's reputation	Operate with excellence	• Well-defined cyber security 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 sensitive information • Implementation and regular testing and verification of network protection technology • Pursuing opportunities with cloud-based applications

Environmental Risks		
Risk Description	Impacted Strategic Imperative	Risk responses
Climate change impact Group's footprint in Sri Lanka and Maldives exposes its businesses to current and emerging climate related risks, including natural disasters, deforestation, droughts, global warming, and coral bleaching	Operate with excellence	• Hotel recognises sustainability as an operational priority and has set long-term environmental goals, which include a reduction in greenhouse gas emissions and a reduction in single-use plastics • Promoting biodiversity conservation • Hotel's commitment to establishing long-term goals focusing on efficient resource utilization and reducing emissions • Setting up standards, training and monitoring a 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 • Business Continuity Plans including alternate working arrangements and emergency response plans in the event of natural disasters

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 2024 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 Resort 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, for which constructions are not yet commenced.

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 53 to 89

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 60 to 89 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. Jan P Van Twest	-	Director

Non-Executive Directors

Mr. K D H Perera	-	Chairman
Mr. J A S S Adhihetty	-	Director
Mr. Malik J Fernando	-	Director
(Alternate Director Mr. R N Malinga - ceased w.e.f. 31/12/2023)		
Mr. L N de S Wijeyeratne*	-	Director
Mr. Chatura V Cabraal*	-	Director
Mr. C U Weerawardane*	-	Director
Mr. J R Gunaratne*	-	Director
Ms. A A K Amarasinghe	-	Director
Mr. D C Fernando	-	Director
(Alternate Director Mr. A M J Fernando)		
Mr. V Leelananda*	-	Director
Ms. K A D B Perera	-	Director

*Independent Non-Executive Directors

Ms. Amarasinghe Arachchige Kawshi Amarasinghe was appointed as a Non-Executive Director of the Company with effect from 4th July 2023.

Mr. Merril J Fernando ceased as a Director of the Company upon his demise on 20th July 2023.

Mr. Dilhan C Fernando was appointed as a Non-Executive Director of the Company with effect from 7th August 2023. Mr. Amrit Merrill Joseph Fernando was appointed as the Alternate Director to Mr. Dilhan C Fernando with effect from 19th August 2023.

Mr. Vasantha Leelananda was appointed as an Independent Non-Executive Director of the Company with effect from 22nd September 2023.

In line with the Best Practices on Corporate Governance and the Listing Rules of the Colombo Stock Exchange, Mr. K D H Perera, Chairman/Managing Director of the Company relinquished his office as Managing Director with effect from 27th November 2023. He continues to serve on the Board of the Company as Chairman/Non-Executive Director.

Upon the relinquishing of office of the Managing Director, Mr. L N De S Wijeyeratne ceased to be the Senior Independent Director of the Company with effect from 27th November 2023.

Ms. Kulappu Arachchige Donna Brindhiini Perera was appointed as a Non-Independent Non-Executive Director of the Company with effect from 1st March 2024.

The Directors have recommended the re-appointment of Mr. L N de S Wijeyeratne, who is 74 years of age and Mr. J A S S Adhihetty, who is also 74 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.

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

Ms. A A K Amarasinghe, Mr. D C Fernando, Mr. V Leelananda and Ms. K A D B Perera retire in terms of Article 91 of the Articles of Association and being eligible are recommended by the Board for re-election.

Directors of subsidiary Companies as at 31st March 2024

La Forteresse (Pvt) Ltd

Mr. J A S S Adhihetty
Mr. Malik J Fernando
Mr. G A R D Prasanna
Mr. R N Malinga (Alternate Director to Mr. Malik J Fernando - ceased w.e.f. 31/12/2023)
Mr. D C 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 24.2 to the Financial Statements.

Directors' Remuneration

The Directors remuneration is disclosed under Key Management Personnel of the Company in Note No 24.2.1to 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 2024 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 2024 and 31st March 2023 are as follows:

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

Name of Director	Shareholding as at 31/03/2024	Shareholding as at 31/03/2023
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. 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. J R Gunaratne *	Nil	Nil
Mr. R N Malinga (ceased w.e.f 31/12/2023) (Alternate Director to Malik J Fernando)	Nil	Nil
Ms. A A K Amarasinghe	Nil	-
Mr. D C Fernando	833,333	-
Mr. V Leelananda*	Nil	-
Ms. K A D B Perera	Nil	-
Mr. A M J Fernando (Alternate Director to D C Fernando)	Nil	-

* Independent Non-Executive Directors

Mr. J A S S Adhihetty is a Director of L B Finance PLC, which held 4,051,100 shares as at 31st March 2024.

Mr. J A S S Adhihetty is also a Director of Vallibel One PLC which held 20,618,257 as at 31st March 2024.

Messrs Malik J Fernando and D C Fernando are Directors of MJF Holdings Limited, which held 28,616,411 shares as at 31st March 2024.

Mr. L N de S Wijeyeratne, Mr. J R Gunaratne and Ms. K A D B Perera are Directors of Royal Ceramics Lanka PLC, which held 336,100 shares as at 31st March 2024.

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 92 and 93.

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. 126,000/- is payable by the Company to the Auditors as Audit Fees (Group –Rs.871,000/-) for the year under review.

The Auditors have also provided non-Audit services and the fee payable therefore amounts to Rs. 92,862/- (Group – Rs. 316,883/-) for the year under review.

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

Independence of Auditors

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

Donations

The Company did not make any donations during the year under review. (The donations made by the subsidiary, La Forteresse (Pvt) Ltd amounted to 75,300/-)

Dividend

The Company did not pay any dividends for the year under review.

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 19 to 27 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 ownership of the land at Thalarambe, Weligama for proposed hotel project of Summer Season Mirissa (Pvt) Ltd.

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 2024.

Events occurring after the Reporting date

Except for the matters disclosed in Note 25 to the Financial Statements on page 86 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 28th June 2024 at 10.00 a.m at the Auditorium of the L B Finance PLC, Corporate Office, No.20, Dharmapala Mawatha, Colombo 03.

The notice of the Annual General Meeting appears on page 94

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

K D H Perera
Chairman

L N De S Wijeyeratne
Director

Lasanthi Abeyakoon
P W Corporate Secretarial (Pvt) Ltd
Secretaries

27 May 2024
Colombo

Corporate Governance

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

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

Board of Directors

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

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

Composition of the Board of Directors

The Board comprises Twelve (12) members (of whom two have Alternate Director). Seven Directors are Non-Executive Directors.

The names of the Directors who served during the year under review are given on page 28.

Based on declarations submitted by the Non-Executive Directors, the Board has determined that Five (05) 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, Mr. J R Gunaratne and Mr. V Leelananda.

The period of service of Mr. L N de S Wijeyeratne and Mr. Chatura V Cabraal exceeds nine years. The Board is of the view that the period of service of the said Directors do not compromise their independence and objectivity in discharging their functions as Independent Directors.

Chairperson and CEO

The Chairperson is a Non-Executive Director.

The General Manager oversees the operations management and reports directly to the Board.

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.

Five (05) Board meetings were held during the year ended 31st March 2024 and the attendance at the said meetings were as follows:

Name of Director	Executive/Non-Executive/ Independent Non-Executive	Attendance
Mr. K D H Perera	Non-Executive	05/05
Mr. Jan P Van Twest	Executive	05/05
Mr. J A S S Adhihetty	Non-Executive	05/05
Mr. Malik J Fernando	Non-Executive	00/05
Mr. L N de Silva Wijeyeratne	Independent Non-Executive	05/05
Mr. Chatura V Cabraal	Independent/Non-Executive	05/05
Mr. C U Weerawardena	Independent/Non-Executive	04/05
Mr. J R Gunaratne	Independent/Non-Executive	05/05
Mr. R N Malinga (Alternate Director to Mr. Malik J Fernando - ceased w.e.f. 31/12/2023)	-	05/05
Ms. A A K Amarasinghe	Non-Executive	03/04
Mr. D C Fernando	Non-Executive	00/03
Mr. A M J Fernando (Alternate Director to Mr. D C Fernando)	Non-Executive	00/03
Mr. V Leelananda	Independent/Non-Executive	03/03
Ms. K A D B Perera	Non-Executive	00/00

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.

The Board will take necessary steps to form the Nominations and Governance Committee before the effective date stipulated in the Listing Rules of the Colombo Stock Exchange.

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. C U Weerawardane and Mr. J R Gunaratne 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 General

Corporate Governance Contd.

Manager. 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 46 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 LKAS 19 Employee Benefits).

By Order of the Board
The Fortress Resorts PLC

P W Corporate Secretarial (Pvt) Ltd
Director/Secretaries

27 May 2024

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.	Compliant	Corporate Governance
7.10.2 (a)	Independent Directors	Two or one third of Non-Executive Directors whichever is higher should be Independent.	Compliant	Corporate Governance
7.10.2 (b)	Independent Directors	Each Non-Executive Director should submit a declaration of Independence, non independence in the prescribe format.	Compliant	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.	Compliant	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.	Compliant	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.	Compliant	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.	Compliant	Corporate Governance and Board of directors (profile) section in the AR.
7.10.5	Remuneration Committee	A Listed company shall have a Remuneration Committee.	Compliant	Corporate Governance/ Remuneration Committee Report
7.10.5 (a)	Composition of Remuneration Committee.	Shall comprise of Non-Executive Directors a majority of whom will be independent.	Compliant	Corporate Governance/ Remuneration Committee Report
7.10.5 (b)	Functions of Remuneration Committee	The Remuneration Committee shall recommend the remuneration of Chief Executive Officer and Non-Executive Directors.	Compliant	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.	Compliant	Corporate Governance and the Board Committee Reports.

Corporate Governance Contd.

Rule No	Subject	Applicable requirement	Compliance Status	Applicable section in the Annual Report
		(b) Statement of Remuneration Policy.		Remuneration committee report
		(c) Aggregated remuneration paid to NED/NID/ID.		
		(d) Statement of remuneration committee.		Remuneration committee 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.
		General Manager 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 seperating responsibility for conducting Board business from that of executive decision making	✓	

Corporate Governance Contd.

Code Ref.	Subject	Applicable Requirement	Adoption Status	Applicable Section in the Annual Report
A.3 DIRECTORS - Role of Chairman				
A.3	Ensure good corporate governance	Chairman to preserve order and facilitate effective discharge of board functions by proper conduct of Board meetings.		Corporate Governance
A.4 DIRECTORS - Financial Acuman				
A.4	Possession of adequate financial acumen	Board to ensure adequacy of financial acumen and knowledge within Board.		Corporate Governance
A.5 DIRECTORS - Board Balance				
A.5.1	Composition of Board	The Board should include a sufficient number of non-executive independent directors.		Corporate Governance
A.5.2	Proportion of independent directors	Two or one third of the non-executive directors should be independent.		Corporate Governance
A.5.3	Test of independence	Independent directors should be independent of management and free of any business or other relationship that could materially interfere with the exercise of unfettered and independent judgement.		
A.5.4	Declaration of independence	Non-executive directors should submit a signed and dated declaration of their independence/non-independence		
A.5.5	Annual determination of criteria of independence/ non-independence and declaration of same by Board	The Board should annually determine and disclose the name of directors deemed to be independent		Corporate Governance
A.5.6	Appointment of senior Independent Director	If the roles of Chairman/CEO are combined, a non-executive should be appointed as a Senior Independent Director.	NA	
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.	NA	
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.	NA	

Code Ref.	Subject	Applicable Requirement	Adoption Status	Applicable Section in the Annual Report
A.6 DIRECTORS - Supply of information				
A.6.1	Provision of adequate information to Board	Management to ensure the board is provided with timely and appropriate information		Corporate Governance
A.6.2	Adequacy of Notice and formal agenda to be discussed at board meetings	Board minutes , agenda and papers should be circulated at least seven days before the Board meeting.		
A.7 DIRECTORS - Appointment to the Board				
A.7.1	Nomination Committee	Nomination committee of parent may function as such for the Company and make recommendations to the Board on new Board appointments.		
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.

Corporate Governance Contd.

Code Ref.	Subject	Applicable Requirement	Adoption Status	Applicable Section in the Annual Report
A.11 DIRECTORS - Appraisal of Chief Executive Officer				
A.11.1	Short, medium and long term, financial and non-financial objectives to be set.	The Board should set out the short, medium and long term, financial and non-financial objectives at the commencement of each year.		
A. 11.2	Evaluation of CEO performance	The performance of the CEO should be evaluated by the Board at the end of the year.		
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.		Remuneration Committee report
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	NA	
8.2.2	Remuneration packages to be appropriately positioned.	Packages should be comparable and relative to that of other companies as well as the relative performance of the Company.	NA	
8.2.3	Appropriateness of remuneration and conditions in relation to other Group companies	When determining annual increases remuneration committee should be sensitive to that of other Group companies	NA	
8.2.4	Performance related elements of remuneration	Performance related elements of remuneration should be aligned with interests of Company.		

Code Ref.	Subject	Applicable Requirement	Adoption Status	Applicable Section in the Annual Report
8.2.5	Share options	Executive should not be offered at a discount	NA	
8.2.6	Remuneration packages for non-executive directors	Should reflect time commitment and responsibilities of role and in line with existing market practice	NA	
8.3 DIRECTORS REMUNERATION Disclosure of Remuneration				
	Disclosure of details of remuneration	The Annual Report should disclose the remuneration paid to directors		Financial Statements note 24.2.1
C . 1 RELATIONS WITH SHARE HOLDERS - Constructive use and conduct of Annual General Meeting				
C.1.1	Proxy votes to be counted	The company should count and indicate the level of proxies lodged for and against in respect of each resolution		
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
		The company has not contravened laws or regulations in conducting its activities		
		Material interests in contracts have been declared by Directors		Financial Statements

Corporate Governance Contd.

Code Ref.	Subject	Applicable Requirement	Adoption Status	Applicable Section in the Annual Report
		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		
D.1.3	Respective responsibilities of Directors and Auditors	The Annual Report should contain separate statements setting out the responsibilities of the Directors for the preparation of the financial statements and the reporting responsibilities of the Auditors		Respective responsibilities of Directors and Auditors
D.1.4	Management Discussion and Analysis	Annual Report to include section on Management Discussion and Analysis		Management Discussion and Analysis
D.1.5	Going Concern	Directors to substantiate and report that the business is a going concern or qualify accordingly		Annual Report of the Board of Directors
D.1.6	Serious Loss of Capital	Directors to summon an Extraordinary General Meeting in the event that the net assets of the company falls below 50% of the value of Shareholders Funds	N/A	
D.2 ACCOUNTABILITY AND AUDIT - Internal Control				
D.2.1	Effectiveness of system of internal controls	Directors to annually conduct a review of the effectiveness of the system of internal controls. This responsibility may be delegated to the Audit Committee		Audit Committee Report/Risk Management
D.3 AUDIT COMMITTEE				
D.3.1	Chairman and Composition of Audit Committee	Should comprise of a minimum of two independent non-executive directors		Audit Committee Report
		Audit Committee Chairman should be appointed by the Board		
D.3.2	Duties of Audit Committee	Should include		
		Review of scope and results of audit and its effectiveness		Corporate Governance
		Independence and objectivity of the Auditors		

Code Ref.	Subject	Applicable Requirement	Adoption Status	Applicable Section in the Annual Report
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
D.4 CODE OF BUSINESS CONDUCT AND ETHICS				
D.4.1	Adoption of Code of Business Conduct and Ethics	The company must adopt a Code of Business Conduct and Ethics for directors and members of the senior management team and promptly disclose any violation of the Code		
D.4.2	Chairman's affirmation	The Annual Report must include an affirmation 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 INVESTORS - Structured Dialogue				
E.1	Structured Dialogue with Shareholders	A regular and structured dialogue should be conducted with shareholders and the outcome of such dialogue should be communicated to the Board by the Chairman		Corporate Governance
E.2	Evaluation of Governance Disclosures by institutional investors	Institutional Investors should be encouraged to consider the relevant factors drawn to their attention with regard to board structure and composition		

Corporate Governance Contd.

Code Ref.	Subject	Applicable Requirement	Adoption Status	Applicable Section in the Annual Report
F. OTHER INVESTORS - Investment/Divestment decisions				
F.1	Individual Investors	Individual shareholders should be encouraged to carry out adequate analysis and seek professional advice when making their investment/divestment decisions.		Corporate Governance
F.2.	Shareholder Voting	Individual shareholders should be encouraged to participate and exercise their voting rights.		Corporate Governance/ Form of Proxy

Responsibility Statement of Chairman, General Manager and Chief Financial Officer

The financial statements of The Fortress Resorts PLC and the consolidated financial statements of the Group, as at 31st March 2024, 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

K D H Perera
Chairman

Suraj Perera
General Manager

Thilaksiri Dunuhinga
Chief Financial Officer

27 May 2024

Statement of Directors' Responsibilities

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

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

The financial statements presented in this Annual Report have been prepared using appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments and estimates and in compliance with the 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 2024/2025, including cash flows and short term investments 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

27 May 2024

Remuneration Committee Report

Composition

The remuneration committee 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. J R Gunaratne (Member)
Mr. C U Weerawardena (Member)

Meetings

The committee met two times during the year 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.

Name of the Director	Attendance
Mr. J A S S Adhihetty (Chairman)	2/2
Mr. J R Gunaratne (Member)	2/2
Mr. C U Weerawardena (Member)	2/2

The General Manager 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 24.2.1 to the financial statements.

J A S S Adhihetty
Chairman - Remuneration Committee
27 May 2024

Audit Committee Report

The Audit Committee, as of 31 March 2024, consisted of the following members:

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

Terms of reference, principal focus and medium of reporting

The Audit Committee Charter governs the responsibilities of the Audit Committee, which is approved, and adopted by the Board.

The Audit Committee focuses principally on assisting the Board in fulfilling its duties by providing an independent and objective review of the financial reporting process, the process of risk identification and mitigation, internal controls, and its compliance with legal and regulatory requirements actively, 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. Further, the effectiveness of the Committee is evaluated annually by each member of the Committee, and the results are communicated to the Board.

Committee composition, meetings held and attendance

The Audit Committee consists of three members. The Chairperson of the Audit Committee is a Fellow of the Institute of Chartered Accountants of Sri Lanka. The other two members bring different areas of expertise to the Committee.

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. In addition, the General Manager and Chief Financial Officer attend Audit Committee meetings by invitation.

Outsourced Internal Auditors and Independent External Auditors are required to attend meetings on a regular basis. The Committee met four times during the financial year ended 31 March 2024 and information on the attendance at these meetings by the members of the Committee is given below.

Name of the member	Attendance
Mr. L N de S Wijeyeratne (Chairman)	04/04
Mr. C V Cabraal	04/04
Mr. Malik J Fernando (Alternate Director Mr. R N Malinga - ceased w.e.f. 31/12/2023)	04/04

Activities performed

Financial reporting

- Reviewed the activities and financial affairs of the Company and its subsidiaries and underlying hotel entities. They also reviewed the financial reporting system adopted in the preparation of quarterly and annual Financial Statements to ensure the reliability of the process, appropriateness and consistency of accounting policies and methods adopted and compliance with the requirements of the Sri Lanka Accounting Standards (SLFRS/LKAS), the Companies Act No. 7 of 2007 and other relevant statutory and regulatory requirements.
- Reviewed the quarterly and year-end Financial Statements and recommended their adoption to the Board of Directors. The External Auditors were engaged in conducting a limited review of the Company's interim financial statements and agreed upon procedures on consolidated financial statements for the nine months ended 31 December 2023. The results of this review were discussed with the External Auditors prior to publication of these statements.

Internal audit, risks, and controls

- Met the outsourced Internal Auditors (KPMG) 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. Their scope of work and approach, the timeliness of their reports, and cooperation with External Auditors were also addressed.

- Reviewed the Financial Risk Management processes and procedures adopted by the Company to manage and mitigate the impact of such risks and observed that risk analysis exercises had been conducted in the hotel, key risks that could impact operations had been identified to the extent possible, measures were taken to minimize the impact and likelihood of such risks. It was noted that with the integration of Sustainability within the Group, further measures to mitigate the core sustainability risks were identified, and risk mitigation measures were designed and implemented.
- Conducted special review of processes, content, and the effectiveness of feeders to the deliberations of the Audit Committee, such as in-house accounting and record keeping and Group Business Process Review.
- Reviewed the energy audit report done by Elion Technologies and Consulting (Pvt) Ltd (Indian Energy Audit Company) on hotel's energy consumption related matters and recommended to implement their proposals to the board.
- Discussed hotel insurance policies and their adequacy after reviewing the Risk Assessment report done by Delmege Insurance Brokers (Pvt) Ltd.

External audit

- Met with the External Auditors before the commencement of the external audit to ascertain the nature, scope and approach of the audit and reviewed their audit plans.
- Met with External Auditors to discuss interim audit issues and management responses and to affect any corrective action where necessary.
- Met with External Auditors at the end of the annual audit to review the Financial Statements and the reports and respond as necessary to such reports.
- 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
- Participated in discussions with management to evaluate compliance with the Code of Best Practice on Corporate Governance issued jointly by the Securities and Exchange Commission of Sri Lanka and CA Sri Lanka in the year 2013 in relation to auditor appointments.

  The Senior management of the Company followed a formal assessment process to evaluate the performance of External Auditors, and the Committee has recommended to the Board of Directors that Messrs. Ernst & Young be re-appointed as Auditors for the financial year ending 31 March 2025, subject to the approval of the shareholders at the next Annual General Meeting.

In conclusion, the Audit Committee is satisfied that the Company's accounting policies, operational controls and risk management processes provide reasonable assurance that the affairs of the Company are managed in accordance with Group policies and that Company assets are properly accounted for and adequately safeguarded.

L N de S Wijeyeratne
Chairman - Audit Committee

27 May 2024

Related Party Transactions Review Committee Report

Related Party Transactions Review Committee Report

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

Composition of the Committee

The members of the RPTRC are as follows.

1. Mr. L N de Silva Wijeyeratne (Chairman) - Independent Non-Executive Director
2. Mr. J A S S Adhihetty (Member) – Executive Director
3. 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.

Names of the Directors	Attendance
Mr. L N de Silva Wijeyeratne	4/4
Mr. J A S S Adhihetty	4/4
Mr. C V Cabraal	4/4

Purpose of the Committee

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

Policies and procedures

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

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

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

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

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

The Related Party Transactions of the Company for the period 01st April 2023 to 31st March 2024 have been reviewed by the members of the RPTRC and the comments and observations of the Committee have been communicated to the Board of Directors of the Company. The approval of the shareholders has been obtained and announcements were made to the Colombo Stock Exchange where applicable.

L N de S Wijeyeratne
Chairman - Related Party Transactions Review Committee

27 May 2024
Colombo

Financial Report

Independent Auditor's Report

EY
Building a better working world

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TO THE SHAREHOLDERS OF THE FORTRESS RESORTS PLC AND ITS SUBSIDIARIES

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 Profit or Loss and Other Comprehensive Income, Statement of Financial Position as at March 31, 2024, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and Notes to the Financial Statements, including material accounting policy information.

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 March 31, 2024, and its financial performance and its 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 for Professional Accountants 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.

Building a better working world

Key audit matters common to both Group and Company

Key audit matter	How our audit addressed the key audit matter
Revenue from contracts with customers The Group's revenue during the year amounted to LKR 921.49 million. Further information is provided in Notes 2.3.3 and 4 to the financial statements. Revenue was a key audit matter due to the significance of the amount of revenue reported during the year and the increase of 112% it represents, over the previous year.	Our procedures included the following, • Assessed the appropriateness of the Group's revenue recognition accounting policy • Evaluated the design of internal controls and tested the operating effectiveness of relevant controls relating to revenue recognition • Performed analytical procedures to understand and assess the reasonableness of the reported revenues • Assessed the adequacy of the disclosures in respect of revenue in Notes 2.3.3 and 4 to the financial statements.

OTHER INFORMATION INCLUDED IN THE 2024 ANNUAL REPORT OF THE COMPANY

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 MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

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 Company's and the Groups' internal control.
- 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 relevant ethical requirements 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, actions taken to eliminate threats or safeguards applied.

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

17 May 2024
Colombo

Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 March	Note	Group 2024 Rs.	Group 2023 Rs.	Company 2024 Rs.	Company 2023 Rs.
Revenue	4	921,486,693	434,696,289	-	-
Cost of sales		(282,850,182)	(170,081,640)	-	-
Gross profit		638,636,511	264,614,649	-	-
Other income and gains	5	3,161,763	6,777,345	-	-
Advertising and marketing expenses		(53,565,161)	(26,439,944)	-	-
Administrative expenses		(408,258,763)	(319,792,487)	(7,722,646)	(4,367,054)
Finance cost	6.1	(7,345,875)	(7,823,805)	-	-
Finance income	6.2	94,076,274	81,983,967	-	-
Profit/(loss) before tax	7	266,704,749	(680,276)	(7,722,646)	(4,367,054)
Income tax expense	8	(54,362,809)	(19,161,972)	-	-
Profit/(loss) for the year		212,341,940	(19,842,248)	(7,722,646)	(4,367,054)
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	(7,674,606)	461,257	-	-
Income tax effect		1,534,921	(138,377)	-	-
Net other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods		(6,139,685)	322,880	-	-
Other comprehensive income/(loss) for the year, net of tax		(6,139,685)	322,880	-	-
Total comprehensive income/(loss) for the year, net of tax		206,202,255	(19,519,368)	(7,722,646)	(4,367,054)
Profit/(loss) and total comprehensive income (loss) attributable to:					
Entire profit/(loss) and total comprehensive income/(loss) is attributable to the equity holders of the parent.					
Basic/diluted earnings/(loss) per share	9	1.91	(0.18)	(0.07)	(0.04)

The accounting policies and notes on pages 60 to 89 form an integral part of these financial statements.

Statement of Financial Position

As at 31 March 2024	Note	Group 2024 Rs.	Group 2023 Rs.	Company 2024 Rs.	Company 2023 Rs.
ASSETS					
Non-Current Assets					
Property, plant and equipment	10	1,131,833,505	1,157,962,880	-	-
Right of use assets	11	39,442,536	41,355,441	-	-
Investments in subsidiary	12	-	-	1,000,009,990	1,000,009,990
Intangible assets	13	710,315	1,392,274	-	-
		1,171,986,356	1,200,710,595	1,000,009,990	1,000,009,990
Current Assets					
Inventories	15	28,265,542	25,926,019	-	-
Trade and other receivables	16	58,934,945	24,168,876	84,957,227	92,776,564
Advances and prepayments		47,967,069	37,537,096	-	-
Short term investments	17	862,330,930	523,579,205	-	-
Cash and cash equivalents	18	8,705,090	14,708,666	42,544	43,644
		1,006,203,576	625,919,862	84,999,771	92,820,208
Total Assets		2,178,189,932	1,826,630,457	1,085,009,761	1,092,830,198
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)		706,479,795	500,277,541	(25,766,509)	(18,043,863)
Equity attributable to equity holders of the parent		1,815,346,635	1,609,144,381	1,083,100,331	1,090,822,977
Non controlling interest		1,000	1,000	-	-
Total Equity		1,815,347,635	1,609,145,381	1,083,100,331	1,090,822,977
Non-Current Liabilities					
Interest bearing loans and borrowings	14.1	61,712,129	57,254,879	-	-
Retirement benefit obligation	20	30,449,451	19,674,948	-	-
Deferred tax liability	8.4	44,636,462	7,782,457	-	-
		136,798,042	84,712,284	-	-
Current Liabilities					
Trade and other payables	21	121,856,425	74,575,482	1,909,430	2,007,221
Contract liabilities	22	61,917,494	39,056,181	-	-
Interest bearing loans and borrowings	14.1	13,328,551	12,193,459	-	-
Income tax payables		28,941,785	6,947,670	-	-
		226,044,255	132,772,792	1,909,430	2,007,221
Total Equity and Liabilities		2,178,189,932	1,826,630,457	1,085,009,761	1,092,830,198

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 60 to 89 form an integral part of these financial statements.

17 May 2024
Colombo

Statement of Changes in Equity

Year ended 31 March 2024	Attributable to the equity holders of the parent			
	Stated Capital	Accumulated Profit	Non Controlling Interest	Total
Group	Rs.	Rs.	Rs.	Rs.
Balance as at 01 April 2022	1,108,866,840	519,796,909	1,000	1,628,664,749
Loss for the year	-	(19,842,248)	-	(19,842,248)
Other comprehensive income for the year, net of tax	-	322,880	-	322,880
Balance as at 31 March 2023	1,108,866,840	500,277,541	1,000	1,609,145,381
Profit for the year	-	212,341,940	-	212,341,940
Other comprehensive loss for the year, net of tax	-	(6,139,685)	-	(6,139,685)
Balance as at 31 March 2024	1,108,866,840	706,479,795	1,000	1,815,347,635

	Stated Capital	Accumulated Loss	Total
Company	Rs.	Rs.	Rs.
Balance as at 01 April 2022	1,108,866,840	(13,676,809)	1,095,190,031
Loss for the year	-	(4,367,054)	(4,367,054)
Balance as at 31 March 2023	1,108,866,840	(18,043,863)	1,090,822,977
Loss for the year	-	(7,722,646)	(7,722,646)
Balance as at 31 March 2024	1,108,866,840	(25,766,509)	1,083,100,331

The accounting policies and notes on pages 60 to 89 form an integral part of these financial statements.

Statement of Cash Flows

Year ended 31 March	Note	Group 2024 Rs.	Group 2023 Rs.	Company 2024 Rs.	Company 2023 Rs.
Cash flows from/(used in) operating activities					
Profit/(loss) before tax		266,704,749	(680,276)	(7,722,646)	(4,367,054)
Adjustments for:					
Depreciation		62,638,072	63,490,414	-	-
Amortization of intangible assets	13	705,959	1,085,733	-	-
Depreciation of right of use assets	11	1,912,905	1,912,906	-	-
Finance cost	6.1	7,345,875	7,823,805	-	-
Finance income	6.2	(94,076,274)	(81,983,967)	-	-
Loss on disposal of property, plant and equipment		499,921	1,462,255	-	-
Provision for defined benefit obligation	20	5,964,966	3,694,856	-	-
Operating profit/(loss) before working capital changes		251,696,174	(3,194,275)	(7,722,646)	(4,367,054)
(Increase)/decrease in inventories		(2,339,523)	(6,119,736)	-	-
(Increase)/decrease in trade and other receivables and prepayments		(45,196,042)	15,927,030	7,819,337	4,242,661
Increase/(decrease) in trade and other payables and contract liabilities		70,142,256	(4,631,762)	(97,791)	123,793
Cash generated from/(used in) operations		274,302,865	1,981,257	(1,100)	(600)
Finance cost paid		(44,908)	(851,500)	-	-
Defined benefit obligation paid	20	(2,865,069)	(2,666,255)	-	-
Income tax paid		(87,026)	(16,840,457)	-	-
Net cash from/(used in) operating activities		271,305,862	(18,376,956)	(1,100)	(600)
Cash flows from/(used in) investing activities					
Proceeds from disposal of property plant and equipment		371,000	178,826	-	-
Acquisition of property, plant and equipment	10.4	(37,984,982)	(16,867,055)	-	-
Acquisition of intangible assets	13	(24,000)	(783,333)	-	-
Withdrawals of/ (Investment in) treasury bills		(111,503,995)	(204,830,022)	-	-
Investment in fixed deposits		(724,316,425)	(334,254,398)	-	-
Withdrawal of fixed deposits		497,068,695	579,113,070	-	-
Finance income received		100,788,894	44,144,212	-	-
Net cash from/(used in) investing activities		(275,600,813)	66,701,299	-	-
Cash flows from/(used in) financing activities					
Repayment of bank loans	14.1.1	-	(82,705,047)	-	-
Principal payments under lease liabilities		(3,901,820)	(3,620,014)	-	-
Net cash from/(used in) financing activities		(3,901,820)	(86,325,061)	-	-
Net Increase/(Decrease) in Cash and Cash Equivalents		(8,196,771)	(38,000,717)	(1,100)	(600)
Cash and Cash Equivalents at the beginning of the year		6,868,061	44,868,778	43,644	44,244
Cash and Cash Equivalents at the end of the year	18	(1,328,710)	6,868,061	42,544	43,644

The accounting policies and notes on pages 60 to 89 form an integral part of these 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 2024 were authorised for issue in accordance with a resolution of the directors on 17th May 2024.

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.

2.2 Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 March 2024. 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	Nature of the Operations	2024	2023
Direct holding			
La Forteresse (Private) Limited	Operation of Small Luxury Hotel	100%	100%
Indirect holding			
Summer Season Mirissa (Pvt) Ltd	Operations not yet commenced	99.99%	99.99%

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

BOI Special Provisions

Pursuant to the agreement dated 08 July 2004, entered into with Board of Investment, the income tax in respect of the profits and income the Company shall be exempted for the period of five (05) years. After the expiration of the tax exemption, the profits and income of the Company shall be subject to concessionary period of tax at the rate of 10%, for two (02) years. After the expiration of the concessionary period, the profits and income shall be charged for any year of assessment at the rate of 20% (subject to the provisions of the Inland Revenue Act).

Current Tax

The profits and income of the Company arising on promotion of tourism is liable for taxation at the rate of 20% as per BOI agreement and investment income at 30% 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.

Tax on Dividends

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

Sales tax

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

When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable

Receivables and payables that are stated with the amount of sales tax included

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

2.3.5 Functional and Presentation Currency

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

i) Transactions and balances

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

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange prevailing at the reporting date.
All exchange differences are taken to the statement of profit or loss.

2.3.6 Property, Plant and Equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the statement of profit or loss as incurred.

Depreciation is recognised in the statement of profit or loss on a straight-line basis over the estimated useful lives of the assets, as follows:

Buildings on Leasehold Lands	over the balance lease period
Plant and Equipment	10 years
Furniture and Fittings	10 years
Fixtures and Fittings	10 years
Computer Equipment	05 years
Telephone Equipment	04 years
Kitchen Equipment	04 years
Electrical Equipment	10 years
Linen and Furnishing	04 years
Crockery of Cutlery	04 years
Other Equipment	04 years
Air-conditioners	10 years
Motor Vehicles	05 years

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognised.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

2.3.7 Leases

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

Group as a lessee

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

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

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise 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 2024 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.

2.4 New and Amended Standards and Interpretations

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

Classification of Liabilities as Current or Non-current - Amendment to LKAS 1

Amendments to LKAS 1 relate to classification of liabilities with covenants as current or non-current. The amendments clarify that if an entity's right to defer settlement of a liability is subject to the entity complying with the required covenants only at a date subsequent to the reporting period ("future covenants"), the entity has a right to defer settlement of the liability even if it does not comply with those covenants at the end of the reporting period. The requirements apply only to liabilities arising from loan arrangements.

The amendments are effective for annual periods beginning on or after 1 January 2024.

Disclosures: Supplier Finance Arrangements - Amendments to LKAS 7 and SLFRS 7
The amendments clarify the characteristics of supplier finance arrangements and require an entity to provide information about the impact of supplier finance arrangements on liabilities and cash flows, including terms and conditions of those arrangements, quantitative information on liabilities related to those arrangements as at the beginning and end of the reporting period and the type and effect of non-cash changes in the carrying amounts of those arrangements.

The amendments are effective for annual periods beginning on or after 1 January 2024.

Lease Liability in a Sale and Leaseback - Amendment to SLFRS 16
The amendments to SLFRS 16 Leases specifies the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. A seller-lessee applies the amendment retrospectively in accordance with LKAS 8 to sale and leaseback transactions entered into after the date of initial application.

The amendments are effective for annual periods beginning on or after 1 January 2024.

SLFRS 17 Insurance Contracts
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. 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 2026, 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.

International Tax Reform—Pillar Two Model Rule - Amendments to LKAS 12 The amendments to LKAS 12 introduce a mandatory exception in LKAS 12 from recognising and disclosing deferred tax assets and liabilities related to Pillar Two income taxes. An entity is required to disclose that it has applied the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes.

The amendments are effective for annual periods beginning on or after 1 January 2024

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 26
Sensitivity analyses disclosures	Note 26
Capital management	Note 26

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.

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 economic conditions in determining the provisioning under ECL. The Management has monitored the effect of the global economy 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 90% of above receivables are due from well-established 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	
		2024	2023	2024	2023
		Rs.	Rs.	Rs.	Rs.
Revenue from contracts with customers	(Note 4.1)	921,486,693	434,696,289	-	-
		921,486,693	434,696,289	-	-

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	
	2024	2023	2024	2023
	Rs.	Rs.	Rs.	Rs.
Over a period or period of stay				
Room revenue	549,728,703	246,198,340	-	-
Rental income	2,085,446	376,793	-	-
At a point in time				
Food revenue	235,722,680	128,522,954	-	-
Beverage revenue	78,682,215	35,039,069	-	-
Spa revenue	29,106,732	14,524,058	-	-
Laundry income	6,745,257	943,655	-	-
Transport income	6,275,821	2,124,381	-	-
Excursions income	5,603,960	2,849,295	-	-
Boutique income	1,604,574	-	-	-
Income from other hotel operations	5,931,305	4,117,743	-	-
	921,486,693	434,696,289	-	-

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

5 OTHER INCOME AND GAINS

	Group	
	2024	2023
	Rs.	Rs.
Exchange gains	3,161,763	6,777,345
	3,161,763	6,777,345

6 FINANCE COST AND INCOME

6.1 Finance Cost

		Group	
		2024 Rs.	2023 Rs.
Interest expense on bank overdrafts		44,908	42,700
Finance charges on lease liabilities	(Note 11.3)	7,300,967	6,966,309
Interest expense on bank loans net of interest subsidy	(Note 14.1.1)	-	814,796
		7,345,875	7,823,805

6.2 Finance Income

Interest income	94,076,274	81,983,967
	94,076,274	81,983,967

7 PROFIT/(LOSS) BEFORE TAX

Stated after Charging	Group 2024 Rs.	Group 2023 Rs.	Company 2024 Rs.	Company 2023 Rs.
Included in Cost of Sales				
Employees Benefits including the following	62,680,902	75,933,501	-	-
- Defined Benefit Plan Cost - Gratuity (included in Employee Benefits)	902,414	592,205	-	-
- Defined Contribution Plan Cost - EPF and ETF (included in Employee Benefits)	6,696,060	7,176,561	-	-
Depreciation	1,097,895	654,500	-	-
Raw Materials and Consumables used	48,080,530	30,234,222	-	-
Included in Administrative Expense				
Employees Benefits including the following	106,512,223	103,561,042	-	-
- Defined Benefit Plan Cost - Gratuity (included in Employee Benefits)	5,062,553	3,102,650	-	-
- Defined Contribution Plan Cost - EPF and ETF (included in Employee Benefits)	12,588,213	7,418,768	-	-
Depreciation	61,540,176	62,835,914	-	-
Amortization of Intangible Assets	705,959	1,085,733	-	-
Audit Fees	871,000	660,000	126,000	120,000
Charity and Donations	75,300	-	-	-
Depreciation of ROU Assets	1,912,906	1,912,906	-	-
Maintenance Expenses	46,977,407	33,301,140	-	-
Electricity	70,164,527	38,814,023	-	-
TDL and Pradeshiya Sabha Tax	18,429,734	10,863,385	-	-
Included in Advertising and Marketing Expenses			-	-
Advertising	18,665,607	13,598,780	-	-
Sales Promotion Expenses	20,496,099	7,916,654	-	-

8 INCOME TAX EXPENSE

The major components of income tax expense for the years ended 31 March 2024 and 2023 are:

Statement of Profit or Loss		Group 2024 Rs.	Group 2023 Rs.	Company 2024 Rs.	Company 2023 Rs.
Current Income Tax					
Current income tax charge	(Note 8.1)	28,941,785	20,338,979	-	-
Adjustments in respect of current income tax of previous year		(12,967,903)	-	-	-
		15,973,882	20,338,979	-	-
Deferred Tax					
Relating to origination and reversal of temporary differences	(Note 8.4)	38,388,927	(1,820,588)	-	-
Charge due to change in tax rates		-	643,582	-	-
Income tax expense reported in the Statement of Profit or Loss		54,362,809	19,161,972	-	-
Statement of Other Comprehensive Income (OCI)					
Deferred tax related to items recognised in OCI during in the year:					
On actuarial gain or loss		(1,534,921)	151,882	-	-
Reversal due to change in tax rates		-	(13,504)	-	-
Deferred tax charged to OCI		(1,534,921)	138,377	-	-

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

Taxable Profit/(Loss) from Business	Group 2024 Rs.	Group 2023 Rs.	Company 2024 Rs.	Company 2023 Rs.
Profit/(loss) from the business	233,266,228	(34,293,075)	(7,722,646)	(4,367,054)
Investment income	94,076,274	81,983,967	-	-
Exempted income	(4,493,888)	(6,654,416)	-	-
(-) Unrelieved losses	(222,930,883)	-	-	-
Taxable profit/(loss)	99,917,731	75,329,551	(7,722,646)	(4,367,054)
Total Assessable Income/(Loss)	99,917,731	75,329,551	-	-
Total Taxable Income/(Loss)	99,917,731	75,329,551	-	-
Income Tax on business income @ 20%	2,067,069	-	-	-
Income Tax on interest income @ 24%	-	9,039,546	-	-
Income Tax on interest income @ 30%	26,874,716	11,299,433	-	-
Current Income Tax Charge	28,941,785	20,338,979	-	-

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

	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Profit before income tax expenses	266,704,749	(680,276)	(7,722,646)	(4,367,054)
Tax at statutory income tax rate of 20%	2,067,069	-	-	-
Tax at statutory income tax rate of 24%	-	9,039,546	-	-
Tax at statutory income tax rate of 30%	26,874,716	11,299,433	-	-
Income exempted from tax including exchange gains	(4,493,888)	(6,654,416)	-	-
Other allowable/disallowable items for tax purpose	(37,236,348)	51,251,110	-	-
Adjustments in respect of current income tax of previous years	(12,967,903)	-	-	-
Deferred tax effect on business losses	80,119,163	(45,773,700)	-	-
Income tax expense/(reversal) reported in the Statement of Profit or Loss	54,362,809	19,161,972	-	-
8.3 Tax Losses Utilised				
Tax losses brought forward	351,914,789	325,808,594	84,850,912	80,483,858
Adjustments	(44,132,964)	(8,186,881)	-	-
Loss incurred during the year	7,722,646	34,293,075	7,722,646	4,367,054
Setoff with taxable profits during the year	(222,930,883)	-	-	-
Tax losses carried forward	92,573,588	351,914,789	92,573,558	84,850,912

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

Year ended 31 March	Statement of Financial Position		Statement of Profit or Loss	
	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Deferred Tax Liability				
Capital Allowances for Tax purpose	57,682,195	97,336,791	(39,654,596)	49,203,126
	57,682,195	97,336,791	(39,654,596)	49,203,126
Deferred Tax Assets				
Retirement Benefit Obligation - Through Income Statement	(4,554,969)	(6,040,861)	1,347,515	(3,365,797)
Retirement Benefit Obligation - Through Other Comprehensive Income	(1,534,921)	138,377	-	-
ROU Assets and Related Lease Liabilities	(5,112,869)	(1,577,760)	(3,535,109)	(1,039,778)
Tax losses	-	(80,119,163)	80,119,163	(45,773,700)
Unrealised exchange gains	-	-	-	1,265,118
Provisions	(1,842,973)	(1,954,927)	111,953	(1,465,976)
	(13,045,733)	(89,554,335)	78,043,523	(50,380,133)
Deferred Taxation Charge/(Reversal)			38,388,927	(1,177,006)
Net Deferred Tax Liability	44,636,462	7,782,457		

8.4.1 Reconciliation of Deferred Tax Charge/(Reversal)

Year ended 31 March	Statement of Financial Position 2024 Rs.	Statement of Financial Position 2023 Rs.	Statement of Profit or Loss 2024 Rs.	Statement of Profit or Loss 2023 Rs.
Deferred Tax Charge/(Reversal) reported in the Statement of Profit or Loss	-		38,388,927	(1,177,006)
Deferred Tax Charge/(Reversal) reported in Other Comprehensive Income	-		(1,534,921)	138,377
			36,854,006	(1,038,629)

8.5 The Group has a tax loss amounting to Rs. 92,573,558/- (2023 - Rs. 351,914,789/-) which is available for offsetting against future taxable income of the Company until 6 years from the incurred year of assessment. A deferred tax asset amounting to Rs. 18,514,718/- arised from tax loss of Rs. 92,573,558/- (2023 - Rs. 84,850,912/-) has not been recognised 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.

Amounts used as the Numerator	Group 2024 Rs.	Group 2023 Rs.	Company 2024 Rs.	Company 2023 Rs.
Profit/(loss) attributable to ordinary shareholders for basic earnings/(loss) per share	212,341,940	(19,842,248)	(7,722,646)	(4,367,054)

Number of Ordinary Shares Used as the Denominator	Group 2024 Number	Group 2023 Number	Company 2024 Number	Company 2023 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.)	1.91	(0.18)	(0.07)	(0.04)

10 PROPERTY, PLANT AND EQUIPMENT - GROUP

10.1 Gross Carrying Amounts

		Balance As at 01.04.2023 Rs.	Additions Rs.	Disposals Rs.	Balance As at 31.03.2024 Rs.
At Cost					
Land		359,721,000	-	-	359,721,000
Buildings on Leasehold Land	- Hotel	962,148,737	-	-	962,148,737
	- Administration	69,565,384	5,172,195	-	74,737,579
Plant and Other Equipment		19,901,249	10,227,476	-	30,128,725
Furniture and Fittings		197,126,041	1,535,229	(1,177,900)	197,483,370
Fixtures and Fittings		99,694,404	1,600,981	(425,045)	100,870,340
Computer Equipment		32,308,228	1,464,495	(470,221)	33,302,502
Telephone Equipment		2,047,637	205,658	(81,072)	2,172,223
Kitchen Equipment		57,319,355	3,385,120	(1,159,138)	59,545,337
Electrical Equipment		154,326,347	1,454,842	(7,968,140)	147,813,049
Linen and Furnishing		14,171,799	5,544,149	(4,635,261)	15,080,687
Cutlery and Crockery		2,062,433	1,414,549	(269,365)	3,207,617
Other Equipment		19,203,758	5,534,218	(263,205)	24,474,771
Air conditioners		14,722,747	446,070	(11,628)	15,157,189
Motor Vehicles		70,413,783	-	-	70,413,783
Total Gross Carrying Amount		2,074,732,901	37,984,982	(16,460,975)	2,096,256,908

10.2 Depreciation

		Balance As at 01.04.2023 Rs.	Charge for the year Rs.	Disposals Rs.	Balance As at 31.03.2024 Rs.
At Cost					
Buildings on Leasehold Land	- Hotel	329,782,954	28,830,424	-	358,613,378
	- Administration	20,915,739	2,156,144	-	23,071,883
Plant and Equipment		18,490,370	297,253	-	18,787,623
Furniture and Fittings		153,548,399	10,423,393	(1,120,720)	162,851,071
Fixtures and Fittings		67,730,570	6,206,427	(353,930)	73,583,067
Computer Equipment		29,465,799	1,396,591	(470,221)	30,392,169
Telephone Equipment		1,907,289	79,218	(67,438)	1,919,068
Kitchen Equipment		56,187,725	714,825	(1,159,138)	55,743,412
Electrical Equipment		129,705,459	7,107,130	(6,864,939)	129,947,650
Linen and Furnishing		10,224,294	1,755,857	(4,252,430)	7,727,721
Cutlery and Crockery		1,385,797	383,070	(252,529)	1,516,338
Other Equipment		15,116,961	2,280,033	(431,716)	16,965,278
Air conditioners		12,541,555	361,033	(11,628)	12,890,960
Motor Vehicles		69,767,107	646,676	-	70,413,783
Total Depreciation		916,770,019	62,638,072	(14,984,688)	964,423,403

10.3 Net Book Values

	2024 Rs.	2023 Rs.
At Cost		
Land	359,721,000	359,721,000
Buildings on Leasehold Land - Hotel	603,535,358	632,365,782
- Administration	51,665,696	48,649,645
Plant and Equipment	11,341,102	1,410,879
Furniture and Fittings	34,632,298	43,577,642
Fixtures and Fittings	27,287,273	31,963,834
Computer Equipment	2,910,333	2,842,429
Telephone Equipment	253,154	140,348
Kitchen Equipment	3,801,925	1,131,630
Electrical Equipment	17,865,399	24,620,888
Linen and Furnishing	7,352,967	3,947,505
Cutlery and Crockery	1,691,275	676,633
Other Equipment	7,509,493	4,086,797
Air Conditioners	2,266,229	2,181,192
Motor Vehicles	-	646,676
Total Carrying Amount of Property, Plant and Equipment	1,131,833,505	1,157,962,880

10.4 During the financial year, the Group acquired property, plant and equipment to the aggregate value of Rs. 37,984,982/- (2023 - Rs. 16,867,055/-). Cash payments amounting to Rs. 37,984,982/- (2023 - 16,867,055/-) were made during the year for purchase of Property, Plant and Equipment.

11 RIGHT OF USE ASSETS - GROUP/COMPANY

		2024 Rs.	2023 Rs.
Leasehold Lands	(Note 11.1)	39,442,536	41,355,441
		39,442,536	41,355,441

The Group has lease contracts with Sri Lanka Tourism Development Authority (SLTDA) and Board of Investments of Sri Lanka (BOI) for lands.

11.1 Nature of the property

Leasehold lands	Lessor	No of Buildings	Lease Term	Annual Rental 2023 2024 Rs.	Annual Rental 2022 2023 Rs.
Hotel Building	SLTDA	1	2005 - 2045	2,806,034	2,806,034
Administration Building	BOI	2	2005 - 2035	247,616	247,616
Organic Garden	BOI	1	2014 - 2064	464,567	464,567
				3,518,217	3,518,217
Total lease rentals				3,518,217	3,518,217

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

	Lands Rs.	Total Rs.
As at 01 April 2023	41,355,441	41,355,441
Depreciation expenses	(1,912,905)	(1,912,905)
As at 31 March 2024	39,442,536	39,442,536

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

	2024 Rs.	2023 Rs.
Depreciation expense of right-of-use assets	1,912,906	1,912,906
Interest expense on lease liabilities	7,300,967	6,966,309
Total amount recognised in profit or loss	9,213,873	8,879,215

The Group had total cash outflows for leases of Rs. 3,901,920/- during the year (2023 - Rs. 3,620,014/-). The future cash outflows relating to leases that have not yet commenced are disclosed in Note 23.4.

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		Cost	
	2024 %	2023 %	2024 Rs.	2023 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 01.04.2023 Rs.	Additions Rs.	Disposals Rs.	Balance As at 31.03.2024 Rs.
Computer Software	17,037,764	24,000	-	17,061,764
	17,037,764	24,000	-	17,061,764

13.2 Amortisation

	Balance As at 01.04.2023 Rs.	Additions Rs.	Disposals Rs.	Balance As at 31.03.2024 Rs.
Computer Software	15,645,490	705,959	-	16,351,449
	15,645,490	705,959	-	16,351,449

13.3 Net Book Values

	2024 Rs.	2023 Rs.
Computer Software	710,315	1,392,274

13.4 Computer Software are amortised over 05 years

14 FINANCIAL LIABILITIES

14.1 Interest Bearing Loans and Borrowings

		Group	
		2024 Rs.	2023 Rs.
Current Interest Bearing Loans and Borrowings			
Bank Loans	(Note 14.1.1)	-	-
Bank Overdrafts	(Note 18)	10,033,800	7,840,605
Lease Liabilities	(Note 14.1.2)	3,294,751	4,352,854
Total Current Interest Bearing Loans and Borrowings		13,328,551	12,193,459
Non Current Interest Bearing Loans and Borrowings			
Bank Loans	(Note 14.1.1)	-	-
Lease Liabilities	(Note 14.1.2)	61,712,129	57,254,879
Total Non Current Interest Bearing Loans and Borrowings		61,712,129	57,254,879

14.1.1 Bank Loans

Bank of Ceylon (BOC) - Working capital loans	2024 Rs.	2023 Rs.
Opening balance	-	82,705,047
Capital repayments	-	(82,705,047)
	-	-

Interest expense

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

	2024 Rs.	2023 Rs.
Interest on Working Capital Loan	-	814,796
Net interest cost recognised in the statement of profit or loss	-	814,796

14.1.2 Lease Liabilities

	Lands Rs.	Total Rs.
As at 01 April 2023	61,607,733	61,607,733
Interest Accrued on Lease Liabilities	3,399,147	3,399,147
As at 31 March 2024	65,006,880	65,006,880
Lease Payments		
Gross Payments	(3,901,820)	(3,901,820)
Interest expense recognised as finance expense	7,300,967	7,300,967
Capital Payments	3,399,147	3,399,147
Current	3,294,751	3,294,751
Non-Current	61,712,129	61,712,129
	65,006,880	65,006,880

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 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

	2024 Rs.	2023 Rs.
Food and Beverages	9,895,357	8,277,453
House Keeping and Maintenance	9,543,033	6,709,464
Stationary, Consumables and Others	8,827,152	10,939,102
	28,265,542	25,926,019

16 TRADE AND OTHER RECEIVABLES - GROUP

Year ended 31 March		Group 2024 Rs.	Group 2023 Rs.	Company 2024 Rs.	Company 2023 Rs.
Trade Receivables		50,323,571	18,203,022	-	-
Other Receivables - Related Parties	(Note 16.1)	-	-	84,957,227	92,776,564
Other Receivables - Other		8,611,374	5,965,853	-	-
		58,934,945	24,168,876	84,957,227	92,776,564

As at 31 March, the ageing analysis of trade

	Total Rs.	Neither past due or nor Impaired Rs.	Past due but not impaired < 30 days Rs.	31 - 60 days Rs.	61 - 90 days Rs.	91 - 120 days Rs.	121 - 180 days Rs.	> 180 days Rs.
2024	50,323,571	41,678,977	-	7,691,446	830,713	-	122,435	-
2023	18,203,022	14,524,655	-	3,368,451	260,915	-	49,000	-

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 26 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	2024 Rs.	2023 Rs.
La Forteresse (Private) Limited	Subsidiary Company	84,957,227	92,776,564

Outstanding receivable balance 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 24.1 provide the movement of the receivable balance.

17 SHORT TERM DEPOSITS - GROUP

		2024 Rs.	2023 Rs.
Investments in Fixed Deposits	(Note 17.1)	760,817,872	283,570,142
Investments in Treasury Bills		101,513,058	240,009,063
		862,330,930	523,579,205

17.1 Investment in fixed deposits at amortised cost

	2024 Rs.	2023 Rs.
LB Finance PLC	374,473,897	126,405,534
Vallibel Finance PLC	276,122,110	91,969,027
Bank of Ceylon	42,102,594	65,195,580
Pan Asia Bank	68,119,271	-
	760,817,872	283,570,142

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.

18 CASH AND CASH EQUIVALENTS

Components of Cash and Cash Equivalents

	Group		Company	
Year ended 31 March	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Favorable Cash and Cash Equivalent Balances				
Cash and Bank Balances	8,705,090	14,708,666	42,544	43,644
	8,705,090	14,708,666	42,544	43,644
Unfavorable Cash and Cash Equivalent Balances				
Bank Overdraft	(10,033,800)	(7,840,605)	-	-
Total Cash and Cash Equivalent for the Purpose of Statement Cash Flows	(1,328,710)	6,868,061	42,544	43,644

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

19 STATED CAPITAL - COMPANY/GROUP

	2024		2023	
	Number	Rs.	Number	Rs.
Fully paid Ordinary Shares	110,886,684	1,108,866,840	110,886,684	1,108,866,840
	110,886,684	1,108,866,840	110,886,684	1,108,866,840

20 RETIREMENT BENEFIT OBLIGATION - GROUP

Year ended 31 March	2024 Rs.	2023 Rs.
Defined Benefit Obligation - Gratuity		
Balance at 1 April	19,674,948	19,107,604
Current Service Cost	2,226,726	1,593,020
Interest Cost	3,738,240	2,101,836
Actuarial (Gain)/Loss	7,674,606	(461,257)
Benefits paid	(2,865,069)	(2,666,255)
Balance at 31 March	30,449,451	19,674,948
The expenses are recognised in the following line items in the statement of profit and loss and other comprehensive income		
Cost of Sales	902,413	592,206
Administrative Expenses	5,062,553	3,102,650
Other Comprehensive Income	7,674,606	(461,257)
	13,639,572	3,233,599

20.1 The defined benefit obligation of the Group is based on the actuarial valuation done by Messrs 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,

	2024	2023
Discount Rate	13%	19%
Future Salary Increment Rate	9%	10%

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.
2024				
Change in Present value of Defined Benefit Obligation	1,698,610	(1,580,854)	(1,400,008)	1,525,041
2023				
Change in Present value of Defined Benefit Obligation	851,938	(803,138)	(664,577)	713,182

20.4 The average duration of the defined benefit plan obligation at the end of the reporting period is 5.4 years (2023 - 4.1 Years).

21 TRADE AND OTHER PAYABLES

	Group		Company	
	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Trade Creditors	39,379,755	27,952,595	-	-
Other Payables	69,705,445	42,066,217	-	-
Accrued Expenses	12,771,225	4,556,670	1,909,430	2,007,221
	121,856,425	74,575,482	1,909,430	2,007,221

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	
	2024 Rs.	2023 Rs.
Advances received for future bookings	61,917,494	39,056,181
Opening balance	39,056,181	59,508,338
Advance received during the year	586,435,813	243,272,231
Refunds due to cancellation of bookings	(24,851,074)	(18,156,353)
Setoff against the receivables	(538,723,426)	(245,568,035)
Closing balance	61,917,494	39,056,181

23 COMMITMENTS AND CONTINGENCIES

23.1 Capital Expenditure Commitments

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

23.2 Contingent Liabilities

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

23.3 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 to extend the lease period for further 10 years if the Group 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 belonging 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. Lease of land used to organic garden is starting from 2014 and ends on 2064.

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

	2024		2023	
	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	4,377,450	1,810,871	4,712,563	2,888,286
After one year but not more than five years	24,199,843	7,854,586	23,269,334	10,502,728
More than five years	206,855,626	55,341,423	236,213,654	48,216,719
Total minimum lease payments	235,432,919	65,006,880	264,195,551	61,607,733
Less amounts representing finance charges	(170,426,039)	-	(202,587,818)	-
Present value of minimum lease payments	65,006,880	65,006,880	61,607,733	61,607,733

24 RELATED PARTY DISCLOSURES

Details of significant related party disclosures are as follows:

24.1 Transactions with the Parent and Related Entities

	Subsidiaries	
	2024 Rs.	2023 Rs.
As at 1 April	92,776,564	97,019,225
Recurring related party transactions		
Expenses Incurred on behalf of the Company	(7,819,337)	(4,242,661)
As at 31 March	84,957,227	92,776,564
Included in		
Trade and Other Receivables	84,957,227	92,776,564

Outstanding receivable balance 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 with respective parties.

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

24.2 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.

24.2.1 Compensation to Key Management Personnel

Nature of transaction	2024 Rs.	2023 Rs.
Short Term Employment Benefits	5,611,007	6,702,572

24.3 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	2024 Rs.	2023 Rs.
LB Finance PLC	Investment in Fixed Deposits	Market Terms	824,100,000	119,000,000
(Investments on 01 to 12 Months FDs at Market Rate)	Withdrawal of Fixed Deposits	Market Terms	461,000,000	317,500,000
	Interest Income	Market Terms	35,945,823	22,236,822
	Balance as at 31 March		374,473,897	126,405,534
Vallibel Finance PLC	Investment in Fixed Deposits	Market Terms	584,000,000	93,000,000
(Investments on 01 to 12 Months FDs at Market Rate)	Withdrawal of Fixed Deposits	Market Terms	313,500,000	138,000,000
	Interest Income	Market Terms	22,336,010	14,864,168
	Balance as at 31 March		276,122,110	91,969,038
Pan Asia Bank (USD)	Investment in Fixed Deposits (USD 225,000)	Market Terms	67,765,500	-
(Investments on 01 to 12 Months FDs at Market Rate)	Interest Income (USD 1,174.65)	Market Terms	353,782	-
	Balance as at 31 March (USD 226,174.65)		68,119,282	-

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 disclose in these Financial Statements other than those disclosed above.

25 EVENT OCCURING AFTER THE REPORTING DATE

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

26 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, commodity price 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 2024 and 2023.

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 sensitivity

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

	Increase/ decrease in basis points	Effect on profit before tax
2024		
Interest Bearing Loans and Borrowings	+/- 50	+/- 36,729
2023		
Interest Bearing Loans and Borrowings	+/- 50	+/- 39,203

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 USD/ GBP/ EURO rate	Effect on profit before tax	Effect on equity
2024	+/- 5%	+/- 158,088	+/- 110,662
2023	+/- 5%	+/- 338,867	+/- 237,207

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.

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. 862,330,930/- of short term deposits and Rs. 8,705,090/- of cash balance as at the reporting date which can used to settle liabilities maturing within 12 months from 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 summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

Year ended 31 March 2024

	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	10,033,800	-	-	-	-	10,033,800
Lease Liabilities	-	1,094,363	3,283,087	24,199,843	206,855,626	235,432,919
Trade and other payables	-	39,379,755	82,476,659	-	-	121,856,414
	10,033,800	40,474,118	85,759,746	24,199,843	206,855,626	367,323,133

Year ended 31 March 2023

	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	7,840,605	-	-	-	-	7,840,605
Lease Liabilities	-	710,680	4,001,883	23,269,334	236,213,654	264,195,551
Trade and other payables	-	27,952,595	46,622,887	-	-	74,575,482
	7,840,605	28,663,275	50,624,770	23,269,334	236,213,654	346,611,638

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.

		2024 Rs.	2023 Rs.
Interest-bearing loans and borrowings	(Note 14)	75,040,680	69,448,338
Trade and other payables	(Note 21)	121,856,425	74,575,482
Less: Cash and cash equivalents	(Note 18)	(8,705,090)	(14,708,666)
Net debt		188,192,015	129,315,154
Equity		1,815,347,635	1,609,145,381
Total capital		1,815,347,635	1,609,145,381
Capital and net debt		2,003,539,650	1,738,460,535
Gearing ratio		9%	7%

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2024 and 2023.

Ten Year Summary - Group

Year Ended 31 st March	2014 / 2015	2015 / 2016	2016 / 2017	2017 / 2018	2018 / 2019	2019 / 2020	2020 / 2021	2021 / 2022	2022 / 2023	2023 / 2024
(Figures in Rs. 000 unless otherwise stated)										
TRADING RESULTS										
Turnover (Gross)	686,977	672,479	625,422	663,750	787,787	489,320	74,666	349,167	434,696	921,487
Profit/(Loss) from operations	342,861	353,584	266,280	250,358	336,875	144,255	(85,816)	116,490	73,633	339,308
Depreciation and Amortisation	106,006	106,006	102,924	74,221	75,494	81,368	81,084	77,471	66,489	65,257
Interest	2,795	1,126	405	3,125	2,300	10,554	15,711	11,736	7,824	7,346
Profit/(Loss) Before Tax	234,060	246,452	162,951	173,012	259,081	52,333	(182,611)	27,283	(680)	266,705
Profit/(Loss) After Tax	189,825	187,754	134,865	140,799	209,521	27,380	(175,606)	33,049	(19,842)	212,342
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	295,300	371,832	505,655	646,211	744,405	662,810	487,909	519,797	500,277	706,480
Shareholders' Funds/Net Assets	1,404,167	1,480,699	1,614,522	1,755,079	1,853,105	1,771,677	1,596,776	1,628,664	1,609,145	1,815,347
Long Term Loans/Deferred Liabilities	-	-	33,298	22,010	17,169	148,415	225,643	82,705	-	-
ASSETS EMPLOYED										
Current Assets	487,051	666,594	431,189	583,071	716,951	781,680	711,869	668,076	625,920	1,006,204
Current Liabilities	88,955	110,753	107,756	130,498	137,998	180,777	240,877	169,509	132,773	226,044
Working Capital	398,096	555,841	323,433	452,573	578,953	600,903	470,992	498,567	493,147	780,160
Fixed Assets	1,047,266	972,276	1,360,689	1,375,574	1,347,190	1,379,315	1,318,989	1,251,190	1,200,710	1,171,986
Capital Employed	1,445,362	1,528,117	1,684,122	1,828,147	1,926,143	1,980,218	1,789,981	1,749,757	1,693,857	1,952,146
RATIO & STATISTICS										
Gearing (%)	0%	0%	2%	1%	1%	13%	17%	4%	7%	9%
Current Ratio (times)	5	6	4	4	5	4	3	4	5	4
Earnings Per Share (Rs.)	2	2	1	1	2	0	(2)	0	(0)	2
Net Assets Per Share(Rs.)	13	13	15	16	17	16	14	15	15	16
Return On Capital Employed (ROCE) %	13%	12%	8%	8%	11%	1%	-10%	2%	-1%	11%
Return On Equity (%)	14%	13%	8%	8%	11%	2%	-11%	2%	-1%	12%
Debt to Total Assets (%)	-	-	2%	1%	1%	7%	13%	4%	8%	9%
Interest Cover (times)	85	220	402	55	113	6	11	3	1	37
Earnings Before Interest & Tax (EBIT)(Rs.000')	236,855	247,578	163,356	176,137	261,381	62,887	(166,900)	39,019	7,144	274,049
Asset Turnover (%)	66%	69%	46%	36%	41%	25%	4%	20%	26%	47%

Group Value Added Statement

Direct economic value generated	2024 Rs. 000'	2023 Rs. 000'
Revenue (including other income)	924,649	441,474
Finance income	94,076	81,984
	1,018,725	523,458
Economic Value distributed		
Operating costs	447,657	356,221
Employee wages and benefits	212,202	159,892
Payments to providers of funds	7,346	7,827
Payments to government	48,500	28,810
	715,705	552,750
Economic value retained	303,020	(29,292)

TWENTY LARGEST SHAREHOLDERS OF THE COMPANY AS AT 31-03-2024

	NAME	As at 31st March 2024 NO. OF SHARES	%	As at 31st March 2023 NO. OF SHARES	%
1	M.J.F. Holdings (Private) Limited	28,616,411	25.807	28,616,411	25.807
2	Vallibel Leisure (Private) Limited	24,417,932	22.021	24,417,932	22.021
3	Vallibel One PLC	20,618,257	18.594	20,618,257	18.594
4	Mr. K D D Perera	10,329,317	9.315	10,329,317	9.315
5	L.B. Finance PLC	4,051,100	3.653	4,051,100	3.653
6	Mr. M J Fernando	2,124,400	1.916	2,124,400	1.916
7	Merchant Bank of Sri Lanka & Finance PLC/S.A.A. Hasitha	1,627,771	1.468	652,600	0.589
8	Bank Of Ceylon No. 1 Account	1,451,100	1.309	1,461,100	1.318
9	Seylan Bank PLC/Jayantha Dewage	1,441,400	1.300	1,441,400	1.300
10	Mr. A P L Fernando	1,144,400	1.032	1,141,400	1.029
11	Mr. M J Fernando	833,333	0.752	833,333	0.752
12	Mr. D C Fernando	833,333	0.752	833,333	0.752
13	EMFI Capital Limited	826,792	0.746	-	-
14	MSS Investments (Private) Limited	663,267	0.598	-	-
15	Mr. M P D Cooray	658,145	0.594	459,204	0.414
16	Dr. D Jayantha	621,000	0.560	621,000	0.560
17	Mr. G V C Y Panditharathna	514,714	0.464	-	-
18	Merchant Bank Of Sri Lanka & Finance PLC/D.Weerasinghe	499,327	0.450	-	-
19	Hatton National Bank PLC/Mushtaq Fuad	378,704	0.342	372,995	0.336
20	Royal Ceramics Lanka PLC.	336,100	0.303	336,100	0.303
		101,986,803	91.974	98,309,882	88.658
	Others	8,899,881	8.026	12,576,802	11.342
	Total	110,886,684	100.000	110,886,684	100.000

SHARE DISTRIBUTION

Shareholding as at 31st March 2024

From	To	No of Holders	No of Shares	%
1	1,000	1197	371,137	0.33
1,001	10,000	450	1,640,572	1.48
10,001	100,000	135	3,838,343	3.46
100,001	1,000,000	27	9,214,544	8.31
over 1,000,000		10	95,822,088	86.41
		1819	110,886,684	100.00

Categories of Shareholders

Local Individuals	1699	23,333,201	21.04
Local Institutions	102	86,618,326	78.11
Foreign Individuals	17	108,365	0.10
Foreign Institutions	1	826,792	0.75
	1819	110,886,684	100

DIRECTORS' SHAREHOLDING AS AT 31ST MARCH 2024

	No of Shares	%
Mr. K D H Perera (Chairman)	Nil	-
Mr. J A S S Adhihetty	13,741	0.01
Mr. Malik J Fernando	833,333	0.75
Mr. R N Malinga (ceased w.e.f. 31/12/2023)	Nil	-
(Alternate Director to Mr. Malik J Fernando)		
Mr. Dilhan C Fernando	833,333	0.75
Mr. Amrith Merril Joseph Fernando	Nil	-
(Alternate Director to Mr. Dilhan C Fernando)		
Mr. L N De Silva Wijeyeratne	Nil	-
Mr. Jan Peter van Twest	Nil	-
Mr. C V Cabraal	Nil	-
Mr. C U Weerawardena	Nil	-
Mr. Jit Gunaratne	Nil	-
Ms. Amarasinghe Arachchige Kawshi Amarasinghe	Nil	-
Mr. Vasantha Leelananda	Nil	-
Ms. Brindhini Perera	Nil	-

SHARE PRICES FOR THE YEAR

Market price per share	As.At.31.03.2024	As.At.31.03.2023
Highest during the year	Rs.23.00 (28.03.2024)	Rs.23.50 (13.03.2023)
Lowest during the year	Rs. 17.30 (24.11.2023)	Rs. 9.50 (27.04.2022)
As at end of the year	Rs. 23.00 (31.03.2024)	Rs. 22.00 (31.03.2023)

	2023/2024	2022/2023
Number of Transactions during the year	3453	3011
Number of Shares traded during the year	8323088	7606935
Value of shares traded during the year (Rs.)	165,759,726.40	146,226,322.90

PUBLIC HOLDING

1. Public Holding Percentage as at 31st March 2024 - 16.863%
2. Total No. of Shareholders who holds the Public Holding as at 31st March 2024 – 1,808
3. The float adjusted market capitalisation as at 31st March 2024 – Rs. 430,070,997.00
4. The Float adjusted market capitalisation of the Company falls under Option 2 of Rule 7.13.1 (i) (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 Fortieth (40th) Annual General Meeting of the Company will be held at the Auditorium of L B Finance PLC, Corporate Office, No.20, Dharmapala Mawatha, Colombo 3, on 28 June 2024 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 subsidiary and the Statement of Accounts for the year ended 31st March 2024 with the Report of the Auditors thereon.

2. To pass the ordinary resolution set out below to re-appoint Mr. L N de S Wijeyeratne, who is 74 years of age, as a Director of the Company.
   "IT IS HEREBY RESOLVED that Mr. L N de S Wijeyeratne who is 74 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. J A S S Adhihetty, who is 74 years of age, as a Director of the Company.
   "IT IS HEREBY RESOLVED that Mr. J A S S Adhihetty who is 74 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 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.

5. To re-elect Mr. C U Weerawardena who retires by rotation pursuant to the provisions of Article 84 of the Articles of Association of the Company, as a Director.

6. To elect Ms. A A K Amarasinghe who retires pursuant to the provisions of Article 91 of the Articles of Association of the Company, as a Director.

7. To elect Mr. D C Fernando who retires pursuant to the provisions of Article 91 of the Articles of Association of the Company, as a Director.

8. To elect Mr. V Leelananda who retires pursuant to the provisions of Article 91 of the Articles of Association of the Company, as a Director.

9. To elect Ms. K A D B Perera who retires pursuant to the provisions of Article 91 of the Articles of Association of the Company, as a Director.

10. To re-appoint Messrs Ernst & Young, Chartered Accountants, as the Auditors of the Company and to authorize the Directors to determine their remuneration.

11. To authorize the Directors to determine donations for the year ending 31st March 2025 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
27 May 2024

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 26 June 2024.

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. K D H Perera	or failing him*
Mr. J A S S Adhihetty	or failing him*
Mr. Malik 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. J R Gunaratne	or failing him*
Ms. A A K Amarasinghe	or failing her*
Mr. D C Fernando	or failing him*
Mr. V Leelananda	or failing him*
Ms. K A D B Perera	

as my/our* proxy to represent and speak and vote for me/us* and on my/our* behalf at the Annual General Meeting of the Company to be held on 28 June 2024 and any adjournment thereof and at every poll which may be taken in consequence thereof.

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

		For	Against
1)	To pass the ordinary resolution set out under item 2 of the Notice of Meeting for the re-appointment of Mr. L N de S Wijeyeratne as a Director.		
2)	To pass the ordinary resolution set out under item 3 of the Notice of Meeting for the re-appointment of Mr. J A S S Adhihetty as a Director.		
3)	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		
4)	To re-elect Mr. C U Weerawardena, who retires in terms of Article 84 of the Articles of Association as a Director of the Company		
5)	To elect Ms. A A K Amarasinghe, who retires in terms of Article 91 of the Articles of Association as a Director of the Company		
6)	To elect Mr. D C Fernando, who retires in terms of Article 91 of the Articles of Association as a Director of the Company		
7)	To elect Mr. V Leelananda, who retires in terms of Article 91 of the Articles of Association as a Director of the Company		
8)	To elect Ms. K A D B Perera, who retires in terms of Article 91 of the Articles of Association as a Director of the Company		
9)	To re-appoint Messrs Ernst & Young, Chartered Accountants, as Auditors and to and to authorize the Directors to determine their remuneration		
10)	To authorize the Directors to determine donations for the year ending 31st March 2025 and up to the date of the next Annual General Meeting.		

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

....
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 26 June 2024.

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. K D H Perera (Chairman)
Mr. J A S S Adhihetty
Mr. Malik J Fernando
Mr. Dilhan C Fernando
(Alternate Director Mr.Amrith Merril Joseph Fernando)
Mr. L N De Silva Wijeyeratne
Mr.Jan Peter van Twest
Mr. C V Cabraal
Mr. C U Weerawardena
Mr. Jit Gunaratne
Ms. Amarasinghe Arachchige Kawshi Amarasinghe
Mr. Vasantha Leelananda
Ms. Brindhini Perera

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

HOTEL
The Fortress Resorts & Spa, Koggala
Telephone : 091 4389400
Fax : 091 4389458
Email : cfo@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
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