A Positive Perspective

Annual Report 2022/23

The Fortress Resort PLC

Contents

A Positive Perspective

The only way that the majority of our industry has been able to face the various challenges during the past couple of years has been through adaptability and transformation.

More than ever before we saw a distinct shift in the needs of our guests and by working as a team we were able to meet these unconventional demands. By placing a positive perspective on each and every service offered, we transformed the basics into a new and unique lifestyle.

Whilst maintaining our luxurious standards and ensuring an unforgettable experience for our guests, we also took customer care to the next level by being flexible and adjusting our systems to meet the various requirements on a daily basis.

Fortress Resort and Spa still maintains its title of being the epitome of luxury where we have incorporated a new standard on hospitality that leaves our esteemed guests with a feeling of never ending euphoria.

Group Financial Highlights

Year Ended 31 st March		2023	2022	2021
Earnings Highlights and Ratios				
Revenue	Rs'000	434,696	349,167	74,666
Earnings/(Loss) before interest and tax (EBIT)	Rs'000	7,144	39,019	(166,900)
Group profit/(loss) before tax (PBT)	Rs'000	(680)	27,283	(182,611)
Group profit/(loss) after tax (PAT)	Rs'000	(19,842)	33,049	(175,606)
Group profit profit/(loss) attributable to the shareholders	Rs'000	(19,519)	31,887	(174,901)
Earnings/(loss) per share (EPS)	Rs.	(0.18)	0.30	(1.58)
EPS Growth	%	(160)	119	(700)
Interest cover	No of times	1	3	(11)
Return on Equity	%	(1)	2	(11)
Pre - tax ROCE	%	(1)	2	(11)
Balance Sheet highlights and ratios				
Total assets	Rs'000	1,826,830	1,919,266	2,030,858
Total debt	Rs'000	-	82,705	225,643
Total shareholder's funds	Rs'000	1,609,145	1,628,664	1,596,776
No. of shares in issue	Number	110,886,684	110,886,684	110,886,684
Net assets per share	Rs.	14.51	14.69	14.40
Debt/Equity	%	7	9	14
Debt/Total assets	%	7	8	11
Market/Shareholder information				
Market price of share as at 31 st March	Rs.	22.00	12.50	7.80
Market capitalisation	Rs'000	2,439,507	1,386,084	864,916
Price earnings ratio	No of times	(396)	41.67	(4.93)
Dividend per share	Rs.	-	-	-
Dividend pay out ratio	%	-	-	-
Operational information				
Average occupancy	%	27	24	10
Number of room nights sold	Room nights	5164	4636	1,944
Room revenue	Rs'000	246,198	206,042	36,130
Avearge room rate (ARR)	Rs.	47,676	44,444	18,585
Revenue per occupied room	Rs.	84,178	81,877	38,767
Net profit/(loss) per room	Rs'000	(374)	623	(3,300)








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27%
Average Occupancy

Rs.
435MN
Total Revenue

Rs.
1,827MN
Total Assets

Dear Shareholder,
It is my honor to present the Annual Report and Statement of Accounts of The Fortress Resorts PLC (TFR) for the financial year ended 31st March 2023. As we reflect on the past year, like all Sri Lankans, our foremost consideration has been on the unprecedented hardship faced by the Sri Lankan people, in the backdrop of multiple unprecedented developments on the global stage.

The outbreak of armed conflict between Russia and Ukraine escalated to intense levels during the year in review, causing spillover effects across the globe. A host of commodities from petroleum to natural gas and fertiliser were impacted, leading to sharp increases in energy costs and global spikes in inflation.

Closer to home, Sri Lanka endured historic challenges. The series of negative developments following the tragic Easter Attacks of 2019, and COVID lockdowns of 2020 and 2021, resulted in the worst economic conditions in our nation's history.

The impact on the travel and hospitality industry was particularly severe, with major disruptions to the supply of fuel, electricity, cooking gas, and essential medicines. This led to significant social and political unrest, culminating in a major political crisis and the resignation of the former head of state.

However, with the appointment of a new President and Government, the worst of the crisis abated, and normalcy gradually started to set in. However, given the significant obstacles faced by the Sri Lankan economy, we remain vulnerable to global headwinds.

GLOBAL ECONOMY

The year in review saw the rise of the worst geopolitical tensions since the Cold War. Together with the major instability caused by the COVID pandemic, many countries-both developed and developing-experienced significant contractions in economic performance.

According to the latest data, global GDP growth is slowing. The intensifying conflict between Russia and Ukraine and its impacts on the global economy have exacerbated the cumulative impacts of the COVID pandemic. As a result, global GDP growth slowed from 6% in 2021 down to 3.2% in 2022, while current projections place global GDP

"The year in review has also given rise to additional geopolitical tensions between China and major global powers. At the same time, China is also extending efforts to expand acceptance of the Chinese Renminbi as an alternative to the US dollar."

growth at 2.6% in 2023, provided that conflict between major global powers does not escalate any further.

In the United States, GDP growth rate fell from 5.9% in 2021 down to 2.1% in 2022. While the U.S. is currently projected to rebound to 3.1% growth in 2023, concerns over the stability of the U.S banking system in the wake of continuous interest rate hikes to counter inflationary impacts of pandemic era stimulus measures, and broader apprehension over a prolonged economic recession is causing spillover effects across the globe.

Despite, the reopening of global economies and significant improvements in economic activity, GDP growth in the EU dropped from 5.4% in 2021 down to 3.6% in 2022. Similarly in the United Kingdom, GDP growth fell from 7.5% down to 4.1%.

Despite its position as an exporter of key commodities including oil and gas, agricultural produce, and fertilizer, the collective impact of economic sanctions, and related disruptions resulted in Russian GDP growth similarly dropping from 4.7% in 2021 down to negative 3.1% in 2022.

Despite considerable challenges Asia continues to serve as a global engine of economic activity. In 2021, Asia's GDP growth was estimated at 8.2%, bolstered by a strong uptick in trade with the end of COVID lockdowns. However, global headwinds have placed similar constraints on economic performance during the year in review, resulting in a slight reduction to regional GDP growth, down to 5.2% in 2022.

The impact of the COVID pandemic, and stringent lockdown measures constrained Chinese economic performance throughout 2021, and the majority of the year in review. This resulted in a reduction in Chinese GDP growth from 8.4% in 2021, down to 3% in 2022. However, with the removal of most lockdown measures, and expectations of sharp increases in trade and manufacturing, Chinese GDP prospects are currently positive.

The year in review has also given rise to additional geopolitical tensions between China and major global powers. At the same time, China is also extending efforts to expand acceptance of the Chinese Renminbi as an alternative to the US dollar. If even partially successful, these developments could lay the seeds for major shifts in the global balance of economic power.

However, some countries have managed to weather the storm and even emerge stronger. One of the strongest performing economies in Asia through the pandemic has been India. By exercising prudent control over stimulus measures and leveraging its strong domestic savings and investment rate, a thriving domestic market, and a powerful industrial base, India has maintained a robust economic performance.

In addition to its economic strength, India has also shown a rising importance on regional diplomacy, providing essential support to Sri Lanka through emergency credit lines and access to essential food and medicine. This has positioned India as a progressive ally to Sri Lanka, and to broader efforts to catalyze a regional economic recovery.

The combined impact of these efforts for India resulted in it being one of the strongest post-COVID economic performances in the world, at 8.7%, and 6.9% in 2022. While GDP growth moderated relative to global headwinds, India's

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EVERY GLOBAL REGION RECORDED NOTABLE INCREASES IN INTERNATIONAL TOURIST NUMBERS. THE MIDDLE EAST ENJOYED THE STRONGEST RELATIVE INCREASE AS ARRIVALS CLIMBED TO 83% OF PRE-PANDEMIC NUMBERS. EUROPE REACHED NEARLY 80% OF PRE-PANDEMIC LEVELS AS IT WELCOMED 585 MILLION ARRIVALS IN 2022.

continues to rise in global economic power, having overtaken the UK to become the 5th largest economy in the world in 2022.

Overall, while there are some positive signs of recovery in the global economy, there are still significant challenges ahead, including the ongoing impact of the pandemic and geopolitical tensions. As a company, we need to continue to be vigilant and adaptable in response to these changing economic conditions.

GLOBAL TOURISM INDUSTRY

Following on the unprecedented global lockdowns of 2020 and 2021, global tourism began to post a long-awaited resurgence in 2022. Ultimately, more than 900 million tourists travelled internationally in 2022-double the number recorded in 2021-although this is still 63% of pre-pandemic levels.

Every global region recorded notable increases in international tourist numbers. The Middle East enjoyed the strongest relative increase as arrivals climbed to 83% of pre-pandemic numbers. Europe reached nearly 80% of pre-pandemic levels as it welcomed 585 million arrivals in 2022. Africa and the Americas both recovered about 65% of their pre-pandemic visitors, while Asia and the Pacific reached only 23%, due to stronger pandemic-related restrictions which have started to be removed only in recent months.

However, with the removal of these final restrictions, tourism across the region, and particularly in terms of outbound tourism from China-which prior to the pandemic was one of the fastest growing sources of tourists globally, is once again on the rise.

Currently, Europe and the Middle East have achieved at least 50% of its pre-pandemic arrival traffic. The pace of recovery also varied across Asia, with around 33% for both Central and South Asia, 12% for Southeast Asia, and 28% for the Pacific. This is likely to change in 2023 as more destinations reopen, particularly in the People's Republic of China, a major driver of outbound tourism, which opened its international borders for tourist activities in January 2023.

Moreover, even with the rising geopolitical tension, travelers appear more determined than ever to seek out exotic tourist experiences across the globe. However, strained global economic conditions has meant that the majority of travelers report being significantly more cost conscious. Together with sweeping increases in the cost of air travel and cruises in the wake of the pandemic, this means that even as absolute numbers improve, those in the hospitality industry will continue to face challenges, unless they are able to consolidate on their value propositions, and attract higher spending tourists.

SRI LANKAN ECONOMY

As noted at the outset, Sri Lanka experienced its worst economic performance to date in 2022. Following GDP growth of just 3.3% in 2021, Sri Lanka's economy contracted by a sharp 7.3% in 2022, leading to mass disruptions in the daily lives of its citizens, and its enterprises. This decline started with a contraction of 0.5% in the first quarter of 2021, followed by a series of worsening contractions of 5.1%, 10.1% and 11.2% in Q2, Q3 and Q4 respectively.

Consensus on the primary causes for Sri Lanka's unprecedented economic decline centers on a combination of unsustainable levels of Government debt – both directly, and indirectly through the balance sheets of multiple loss-making State-Owned Enterprises, as well a loose monetary policy, and a policy of defending the Sri Lankan Rupee using foreign reserves, as well as many other systemic failures.

Together with the unprecedented global headwinds of the last two years, Sri Lanka was left in a position where it was unable to meet its international debt obligations for the first time in its history. Consequently, during the year in review, the agriculture sector contracted by 4.8%, while the industrial sector contracted by 16% and services by 2%. Inflation spiraled out of control from 7.3% in 2021 up to an all-time high of 73.7% in September, before gradually moderating to 59.2% in December and 49.2% in March 2023.

The impact on the broader population has been extreme, pushing more than half of the country into poverty. In such an environment, we believe it is essential that all Sri Lankans join together, in order to explore every possible opportunity to mitigate the worst impacts of the crisis, and contribute towards the urgent revival of the nation's economy.

However, it is important to note that progress is being made. During the year in review, Sri Lanka was able to reduce its import bill by 11.4% down to US$ 18.3 Billion, as compared with a 28.5% increase in imports up to US$ 20.6 billion in the previous year. Meanwhile, Sri Lanka's external sector performance recorded notable improvements with exports reaching an all-time high of US$ 13 billion, reflecting growth of 4.9% Year-on-Year (YoY).

This improvement was a result of increased earnings from industrial exports, including garments, gems, diamonds and jewelry, machinery and mechanical appliances in 2022.

Another positive development in the months following the appointment of a new Government, Sri Lanka was the reaching of a preliminary agreement with the IMF for an extended fund facility of 2.9 Billion USD. This has opened the doors for further discussions with other international lending agencies and provided a more stable foundation for negotiations to commence with Sri Lanka's sovereign and private international creditors.

In this backdrop, and with the subsequent improvements to Sri Lanka's economy, and gradually easing of inflation together with a major recovery in international travel, tourists are finally starting to flock back to the island in numbers that are on track to reach pre-pandemic levels over the next year.

Domestic Tourism Industry

After 3 years of disruption, Sri Lanka's tourism arrivals appear to finally be on the mend. After hitting an all-time high of 2.3 million arrivals in 2018, the fears around security caused arrivals to drop down to 1.9 million in 2019. However, the COVID-19 pandemic dealt a catastrophic blow to the tourism industry, causing arrivals to plunge by 61.7% YoY in 2020 down to just 507,704 visitors. By 2021, arrivals dipped even further to just 194,495 in 2021, but with progressive improvements in the final quarter of the year.

This improving trend gathered greater momentum in 2022 as arrivals shot back up to 719,978 by the end of the year. Notably, a total of 102,545 foreign visitors arrived in Sri Lanka in January 2023-a little under the total number attracted in all 12 months of 2021. This represents a major increase of 24.5% from January 2022, and is equivalent to 43% of January 2018's arrivals.

The fluctuations in revenue generated by the sector fluctuated with arrivals. Accordingly, in 2020, revenue dropped by 25.7% YoY, from USD 682 Mn in 2020 to USD 507 Mn in 2021. Following the shock of the 2019 Easter Attacks, the pandemic left many service providers in the domestic tourism industry reeling. However, the long-awaited and much welcome improvements represent a potential light at the end of the tunnel for our industry.

Moving into 2023, the industry has seen an upward trajectory in tourist arrivals to Sri Lanka. According to the Sri Lanka Tourism Development Authority (SLTDA), there were a total of 194,495 arrivals in 2021, with the highest monthly arrivals in February (96,507) and the lowest monthly arrivals in April (62,980).

By contrast, in 2022, we saw a significant increase in total tourist arrivals, with a total of 719,978, and the highest monthly arrivals in March (106,500) and the lowest monthly arrivals in December (91,961). Looking at the final three months of 2022, we can see that the number of tourist arrivals steadily increased, with 42,026 in October, 59,759 in November, and 91,961 in December.

As we move into the first three months of 2023, we have seen

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tourist arrivals start to approach the highs of 2018, with 129,466 arrivals recorded in January, 146,828 in February, and 217,829 in March.

The top 5 primary markets for Sri Lankan tourism in 2022 were India, Russia, United Kingdom, Germany, and France while Australia, Canada, United States, Maldives and Poland were among the next largest contributors to total arrivals. Notable in their absence from the top source markets is China, which had been under strict COVID lockdowns until the latter half of 2022. With Chinese tourism already gathering remarkable momentum in the final quarter of the year in review, we anticipate a significant increase over the coming year. Similarly Sri Lanka is also targeting more arrivals from new emerging source markets including high value tourists from countries like Belgium, Norway, Saudi Arabia, Austria and Sweden.

Collectively, SLTDA is forecasting that tourism will generate US$2.8 billion in revenue in 2023, based on the assumption that tourist arrivals will exceed 2 million this year. This is a significant and long-awaited improvement from the US$1.2 billion generated in revenue in 2022. Moving forward, all industry stakeholders need to work in unison to ensure that these numbers are maintained and improved on in a sustainable manner, in order to leverage this growth and recovery to deliver maximum benefit to all those connected to this essential industry.

After several lean years, the opportunity to welcome back tourists to our shores in such significant numbers is a welcome development, although systemic challenges, as well as new obstacles in the post-pandemic world will need to be navigated with care.

At the same time, if the industry is supported with the appropriate policies, and we also takes steps to double down on Sri Lanka's proposition as a high-end, sustainable tourist destination, while developing our natural attractions, and introducing a greater variety of activities, events, and festivals, there is strong potential to not only revert to our pre-pandemic performance, but to actually surpass it.

What is especially notable in the performance of the industry was the fact that in addition to dealing with multiple years of lower than average arrivals, almost all in the industry were forced to deal with extreme shortages of power, fuel and cooking gas. Many in the industry were compelled to shift to diesel-powered generators, as the supply from the national grid dwindled to less than 12 hours a day at the peak of the crisis in June, July and August 2022.

These were among the most difficult times for the entire industry. However, we commend the extraordinary support extended to our industry, and our organization with their introduction of fuel passes for hoteliers and tourists to allow for priority service. These mitigating measures helped us to ensure that the few guests that we had continued to the most essential amenities required to deliver hospitality services to a reasonable standard. In the face of such an unprecedented crisis, this was a remarkable achievement.

Another significant factor to consider in the wake of the disruptions of recent years is the impact that it has had on tourist behavior. Sustainability has emerged as a key consideration for travelers, who are increasingly looking for ways to reduce their environmental impact while choosing destinations and businesses that are committed to environmental and social sustainability.

Delivering authentic, intimate, unique, and memorable experiences are also crucial for travelers, who are seeking to engage with the local culture and way of life is essential to strengthening Sri Lanka's value proposition. Value for money is also an increasingly critical consideration for travelers, who are looking for affordable yet high-quality experiences, especially given that the cost of travel has been on the rise.

This increase in travel fares is due to a variety of factors, including rising fuel prices, increased security measures, and competition from low-cost carriers. While the higher fares might discourage some travelers, it conversely means that those that do move ahead with their travel plans are now opting to stay longer in their destinations, seeking to immerse themselves more deeply in the local culture. Together with the rise of remote work, digital nomads, and a 'work from anywhere' culture, Sri Lanka has strong potential to also serve emerging post-pandemic tourist demographics.

Despite the trend towards longer stays, travelers are also looking to spend less money on their trips. This is due to the increasing availability of budget-friendly accommodation and activities, as well as the rising cost of travel. While this trend may seem like a challenge for businesses in Sri Lanka, it presents an opportunity to offer more affordable packages and services that appeal to cost-conscious travelers, which in turn can help to broad-base the dividends of Sri Lanka's tourism resurgence into the grassroots of the economy.

Finally, the most promising post-COVID travel trend for Sri Lanka, is the unprecedented demand for unique and diverse experiences among travelers. This trend can be attributed to the rise of social media, which has made it easier for travelers to share their experiences with others, and the increasing availability of affordable and unique experiences.

In order to cater to this demand, businesses in Sri Lanka must be prepared to offer a wide range of experiences that are authentic, personalised, and memorable. This requires a greater focus on pre-selling and re-selling of Sri Lanka's high-demand attractions, as well as a systematic effort to host more large-scale events and festivals in a sustainable manner, throughout the year.

Similarly, the entire Sri Lankan industry needs to focus on embedding technology into the tourist experience in order to create frictionless experiences on key areas like planning trips, getting information about destinations, and availability of digital and cashless payment options. By more effectively and creatively harnessing technology into the tourist experience, we see immense potential to create an entirely new competitive differentiator for Sri Lanka that can make all of our natural attractions come alive in new and novel ways.

By doing so, they can attract more travelers and keep them coming back for more. This is an area in which more stakeholder collaboration is required. As we adapt to these changing trends, we are committed to offering our guests a truly unforgettable experience that showcases the beauty and culture of our island.

OPERATIONAL HIGHLIGHTS

Despite the historic disruptions outlined above, TFR continued to enjoy significant improvements in performance as new guests and many return guests flocked back to our resort in increasingly larger numbers, especially in the final months of the year in review.

Where in 2021/22, TFR hosted a total of 8,755 guest nights and 4,636 room nights, during the year in review, guest and room nights increased to 10,148 and 5,164 respectively, while average occupancy rates increased from 24% in the previous year up to 27% during the year in review. While a welcome improvement, these figures are still well below pre-pandemic rates. By way of comparison, TFR's highest occupancy rates was 71% in 2015/16, while in 2018/19, occupancy rates stood at 67%.

Sri Lankan guests accounted for 39% of room nights, followed by visitors from the United Kingdom, who contributed 25% of room nights. Russian (10%), Australian (4%), Israeli (4%) and German (3%) tourists accounted for the majority of the remaining room nights. We also had the privilege of welcoming many more guests from across the world to our resort, including visitors from the UAE, India, France, USA, Switzerland, China, Singapore, Ireland and Belgium.

However, in terms of total contribution to revenue, 80% was generated by foreign guests, with the remainder coming from Sri Lankans. This represents a marginal increase from the previous year when foreign guests accounted for 83% of our total revenue.

We also continued to invest in our people and our properties during the year in review. We strongly believe that investing in our team and our physical assets is crucial to our success, both in the short and long term.

One of our biggest investments during the year was the replacement of the hotel lobby ceiling and the renovation of the hotel pool deck which took place through an investment of

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Rs. 6.8 million and Rs. 4.5 million respectively. Additional investments totaling Rs. 6.5 million were also channeled into several other minor renovations, as well as purchase of fixtures and fittings, linens, kitchen equipment and other equipment.

These investments were essential to maintain our high standards and ensure that our guests enjoy their stay with us, and moving forward, we will continue to invest in our properties in a proactive manner in order to ensure that we continue to provide the highest standards in hospitality on Sri Lanka's South Coast.

We were also pleased to welcome a new executive chef to The Fortress in April 2022. The arrival of our new chef led to the introduction of a new menu in May 2022, which features an array of local and international cuisines, including Western, Sri Lankan, Indian, Vegetarian, Vegan, and Thai dishes. This menu has been well-received by our guests, and we are constantly looking for ways to improve and refine it further.

Through our wholly owned subsidiary, La Forteresse (Private) Limited, the company had previously invested in land for the establishment of a second hotel in Mirissa. While this second development is still in the planning stage, the property is ideally located in one of Sri Lanka's most vibrant tourist hotspots on the South coast, and has the potential to significantly augment TFR's total value proposition over the medium-long term.

We also continued to channel strategic investments into marketing and promotion of TFR's unique hospitality offering. During the year in review, this included engaging in Indian road show, WTM London, and ITB Berlin, leveraging a cumulative investment of Rs. 7.6 million. We also leveraged social media, and other targeted promotions during the year in order to further raise awareness among our key target markets.

At TFR, we are constantly striving to improve our performance and exceed our guests' expectations. Despite the challenges faced by the tourism industry, we have managed to maintain steady growth and increase our average occupancy rate. We are committed to continuing this trend in the future, as we work to provide exceptional service and unforgettable experiences to our guests.

An important sign of this continuing commitment to excellence can be seen in TFR having secured TripAdvisor's 'Best of the Best 2022' Category for Romance in Asia- which puts our property in the Top 1% of hotels globally, in addition to being ranked among TripAdvisor's 'Traveler's Choice 2022', which a rank shared by only the Top 10% of World Hotels.

FINANCIAL HIGHLIGHTS

We are pleased to report that our company had a strong financial performance in 2022/23, with significant growth across key financial metrics. Total revenue increased by 25% Year-on-Year (YoY) up to Rs. 446.7 million, driven by growth in all key revenue streams. This included a 19% YoY increase in room revenue up to Rs. 246.2 million, together with a 37% YoY and a 14% increase in food and beverage and spa revenues up to Rs. 163.6 million and 14.5 million respectively.

Notably, while other income and gains reduced from a previous Rs.23.8 million down to Rs. 6.8 million, TFR also benefitted from a major 155% YoY appreciation in finance income, driven by prudent investment strategies within the high-interest environment that prevailed during the year in review. However, the company's operating costs increased by 35% YoY as a result of significant rupee depreciation and high levels of inflation.

Despite the extremely encouraging recovery in the company's top-line performance, especially in the final quarter of the year in review, the unprecedented challenges that we faced resulted in a loss of Rs. 19.8 million during the year in review, as compared with a profit of Rs.33 million in the preceding year.

Accordingly, TFR posted a loss per share of Rs. 0.18 during the year in review, as compared with a previous earnings per share of Rs. 0.30. However, given the exponential improvements that we have seen in tourist arrivals, we anticipate a swift return to profitability by the end of the coming financial year.

SUSTAINABILITY

Our commitment to sustainability remained unwavering even during the height of last year's economic crisis. Our investments in sustainability initiatives played a critical role in supporting our daily operations, particularly during the peak of the crisis.

TFR's prior investments in solar panels were particularly valuable as they helped us continue producing hot water during the fuel crisis. If not for the solar panels, we would have had to rely on the diesel-fired boiler to produce hot water, which was challenging due to the lack of fuel availability.

Thanks to the solar power panel project, we estimate that we were able to save about 50 liters of diesel per day. This was a significant relief during the crisis times, as there were frequent and lengthy power cuts, and we had to conserve diesel for the generators.

Similarly, our long-running investments in TFR's organic garden have also proved invaluable. The organic garden is currently operating at its full capacity, utilising the entire 1-acre garden area for local vegetables, herbs, banana and papaya trees, as well as coconut and king coconut trees that are now producing reasonable harvest.

During the year, we invested a further Rs. 250,000 for garden maintenance and upkeep. The value of the harvest during the year was Rs. 640,000.

WE ARE PLEASED TO REPORT THAT OUR COMPANY HAD A STRONG FINANCIAL PERFORMANCE IN 2022/23, WITH SIGNIFICANT GROWTH ACROSS KEY FINANCIAL METRICS. TOTAL REVENUE INCREASED BY 25% YEAR-ON-YEAR (YOY) UP TO RS. 446.7 MILLION, DRIVEN BY GROWTH IN ALL KEY REVENUE STREAMS.

Our efforts to promote sustainability extended beyond our operations, as we organised three beach cleaning programs during the year, involving both hotel staff and school children. We also sponsored one beach cleaning program to celebrate World Environment Day. Overall, our sustainability initiatives have not only supported our daily operations but also enabled us to make a positive impact on our environment and communities.

Additionally, TFR also donated 50 plants for a tree planting program organised by Kathaluwa Central College in Ahangama during the year in review, as well as sponsoring refreshments of students and teachers for the day's event. In total, we invested a further Rs, 50,000 in support of the programme.

HUMAN CAPITAL

At the heart of TFR's remarkable legacy of success and our reputation for quality, excellence, and sublime tropical luxury is our team of employees.

During the year in review, we continued to invest in their training and welfare, recognising the importance of our employees to the success of our business. We increased our investment in training to Rs. 100,000, up from Rs. 25,000 last year.

Our commitment to our employees' welfare is reflected in our investment in their well-being. We are proud to report that we have also increased our investment in employee welfare. We allocated Rs. 1.5 million for medical insurance and Rs. 20.1 million for staff meals during the year 2022/2023, compared to Rs. 1.9 million and Rs. 8.5 million respectively in the previous year.

The demand for trained and skilled staff is very high in Sri Lanka at the moment. One of the most underappreciated aspects of Sri Lanka's economic crisis has been the brain-drain that resulted as many were forced to look for opportunities overseas.

Many hospitality students gave up the courses due to the pandemic, and this industry was one of the hardest hit. As a result, we have seen skilled hotel staff members as well as many of the industry's top talent leaving the Sri Lanka, creating significant shortages of experienced hospitality staff. The culinary sector, in particular, is experiencing a huge demand that has not been met.

Although many public and private hotel schools are currently operating in the country they are still not able to meet the sheer requirements for capacity, and in many instances, their courses do not meet the required levels to deliver to the exacting standards of the five-star hospitality sector.

Nevertheless, we remain hopeful that the situation will improve, and we continue to support the development of talented staff members through various initiatives.

At our individual hotel levels, we offer opportunities for hotel school apprentices to train with us as part of their curriculum. We are committed to providing our team members with the tools and training they need to succeed in their roles and beyond. Our investment in human capital is a testament to our belief in the value of our employees and their contribution to our success.

OUTLOOK

Looking ahead, the company is well-positioned for continued growth. With a strong management team, solid financial position, and a growing market, the company is investing in new initiatives such as the development of new properties and the expansion of its marketing efforts. These initiatives are expected to drive further growth in the company's revenue and profitability, and we are excited about the future prospects of our company.

Together with the remarkable rise in Sri Lanka's tourist arrivals, TFR is currently projecting an average occupancy rate of 48% and with it, a potential doubling in top and bottom line performance. With the increasing contributions of the tourism industry to the broader economy, we anticipate a virtuous cycle of improving macroeconomic fundamentals. This in turn could lead to an easing of operating expenses, and support additional investments in training and upskilling of staff, and further improvements to infrastructure.

However, as the last 2 years have proved, tourism and hospitality requires healthy levels of international travel. Any major disruptions to the tense geopolitical external environment could result in disruptions to the recovery.

In such a volatile and uncertain environment, it is all the more imperative for all stakeholders to work in unison to increase arrivals to Sri Lanka, and develop all of the nation's tourist attractions at a rapid pace, while ensuring sustainable tourism, in order to avoid the pitfalls that are now being faced by more overcrowded destinations in East Asia.

To achieve sustainable outcomes, we require sustainable policies, however, individual players within the industry are already taking the lead and demonstrating that we can find more sustainable ways to host larger numbers of visitors, while also encouraging visits from high-spending tourists. A systematic, nuanced, and segmented approach that offers powerful value to all categories of tourists, in a mix that is financial, ecologically, and socially viable is the best way forward. TFR aims to play a leading role in these efforts over the next year.

ACKNOWLEDGMENT

As Chairman of TFR, I am proud to say that despite the challenges, our hotel has remained resilient and focused on delivering exceptional experiences to our guests. We have continued to maintain health and safety protocols to ensure the safety of our guests and staff, while still providing world-class hospitality, and unforgettable experiences in tropical luxury.

Looking ahead, we remain cautiously optimistic about the future. With the global economy gradually recovering and international travel gathering greater momentum, we are well-positioned to take advantage of the growing demand for travel and hospitality services. We remain committed to investing in our people, products, and services to ensure that we continue to offer our guests the very best in authentic Sri Lankan hospitality.

While the past few years have been extremely challenging, with note with pride that throughout, our team has shown inspiring resilience in the face of adversities that are unprecedented in history. We take this opportunity to extend our deep and heartfelt gratitude to our employees, and to our management team, who remained steadfast and determined through a time of extreme difficulty.

We also commend our management teams for making use of the opportunities created by the pandemic, and the lull in tourist arrivals to drive a programme of re-investment in key renovations across our property, in order to ensure that when visitors started to come back in force, we were ready to offer them the most pristine hospitality experiences available in Sri Lanka.

These strategies have created a strong advantage for TFR, however, even as a cautious recovery starts to take hold, we cannot afford to become complacent. A great deal of work will be required to harness tourism sustainably in order to breathe life back into the communities connected to The Fortress Resort & Spa. However, we see immense room for growth and optimism in the coming year.

As we reflect on the year that has passed, we recognize that our people are one of our strongest assets, and we remain deeply committed to supporting our employees despite the extremely challenging operating environment and uncertain future.

Accordingly, we extend our heartfelt gratitude to our Board of Directors for their unwavering support and invaluable guidance in managing our business through this unprecedented moment in history. We also express our appreciation to our team of employees and management for their outstanding commitment and resolve, which has been instrumental in our success. We are fully committed to protecting their interests as we collectively face the challenges that lie ahead with dedication, creativity, and determination.

I would also like to take this opportunity to thank our loyal shareholders for their continued support, our dedicated staff for their hard work and commitment, and our guests for their patronage. Together, we will emerge stronger from the challenges of the past year and build a brighter future for TFR.

Lastly, and most importantly, we wish to thank each of our guests. Whether they were making return journeys, or experiencing The Fortress Resort & Spa for the very first time, their patronage has been essential in helping our organization and our employees through the single most difficult moment in the history of Sri Lankan tourism and hospitality.

On behalf the entire team, we would like to extend our heartfelt gratitude to our guests for the immense support and trust they have placed in our brand during these challenging times. We are committed to providing our guests with truly memorable and authentic holiday experiences in Sri Lanka, and we look forward to continuing to work towards this goal in the coming years. Thank you for choosing TFR as your preferred destination, and we hope to welcome you back soon for a joyful and unforgettable holiday experience.

Sincerely,

Mr. K D H Perera
Chairman/Managing Director

Board of Directors

Mr. K D H Perera
Chairman/Managing Director

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

Mr. Sumith Adhihetty
Director

A veteran Marketer who started his career as a trainee at KPMG Ford Rhodes Thornton & Company and later joined Mercantile Investments Limited, where he served for a period of 27 years. He is the Managing Director of L B Finance PLC and a Director of Vallibel One Limited and Pan Asia Banking Corporation PLC.

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

Mr. Merrill J Fernando
Director

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

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

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

Mr. Malik J Fernando
Director

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

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

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

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

Mr. Jan Peter van Twest
Director

Mr. Jan van Twest counts over 43 years of experience in the senior hospitality industry in management positions in Sri Lanka, Europe, Australasia and the South Pacific.

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

He is presently, a Director of Hotel Services Ceylon PLC and Summer Seasons Limited.

Mr. L N de S Wijeyeratne
Senior Director

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

He is presently a director of several listed and unlisted Companies.

Board of Directors

Mr. C V Cabraal
Director

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

He also serves as a Director on the Export Development Board of Sri Lanka. He previously worked at Brandix Lanka (Pvt) Ltd as a Sustainability Engineer (2011-2014) in the Energy and Environment Department. He started his career in 2010 as a Management Trainee at John Keells Hotel Management Services. He is the co-owner and co- founder of Royal Orchids (Pvt) Ltd. which owns and operates a floriculture farm. He also serves on the board of Kelani Valley Plantations PLC and Vallibel Power Erathna PLC.

Mr. C U Weerawardena
Director

Mr. Chethiya Umagiliya Weerawardena is an entrepreneur with 18 years' experience in the Gem Industry and has business interests in Real Estate. He holds a Diploma in Business Management from the University of Macquarie Sydney, Australia.

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

Mr. R.N. Malinga was appointed to the Board of The Fortress PLC as the Alternate Director to Mr. Malik J Fernando. He is a senior finance professional with over 24 years of experience, including 19 years within MJF Group of Companies. He is currently the General Manager Finance of MJF Group, overlooking tea and leisure sectors. Mr. R.N.

Malinga is a fellow member of the Institute of Chartered Accountants of Sri Lanka, Institute of Certified Management Accountants of Sri Lanka. He also has a MBA from the University of Colombo and BSc in Business Administration from the University of Sri Jayawardenapura.

Mr. Jitendra Romesh Gunaratne
(Director)

Mr. J. R. Gunaratne counts 40 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.

Management Discussion and Analysis

INTRODUCTION

The following report is prepared with the objective of providing stakeholders with a detailed analysis into key performance indicators and the most significant developments taking place at The Fortress Resort PLC (TFR) during the financial year ended 31st March 2023, in keeping with the organisation's proactive commitment towards vibrant stakeholder engagement, and the highest standards of corporate governance, transparency and accountability. In doing so, TFR aims to ensure that all stakeholders are able to accurately assess the financial and operational opportunities which the company has availed itself of over the past year, and its potential for growth in relation to pertinent global and local developments.

GLOBAL ECONOMIC PERFORMANCE

The global economy faced significant challenges in the year under review, driving by the reverberating impacts of the COVID-19 pandemic, as well as an unprecedented rise in geopolitical tensions between major powers during the year ended 31st March 2022.

As per the latest data, global GDP growth has been slowing-primarily as a result of the escalating inflationary pressure across the globe, which has been further exacerbated by the conflict between Russia and Ukraine.

Where the lockdowns of the previous two years caused volatile shifts in consumer sentiment leading to frequent mismatches in global supply chains, the economic ramifications of the conflict between Russia and Ukraine primarily resulted in sharp increases in the price of crude oil, and natural gas, which in turn created unprecedented inflationary pressure across the globe.

Consequently, Global GDP posted continuous contractions in growth rates, from 6% in 2021 to 3.2% in 2022, while current projections put the global GDP growth at 2.6% in 2023. The economic contractions caused by these factors placed significant constraints on economic performance across both developed and developing countries. As a bellwether of the global economy, the United States of America saw its GDP growth rate fall from 5.9% in 2021 to 2.1% in 2022.

Although the US economy is currently projected to rebound to 3.1% growth in 2023, concerns regarding the stability of the US banking system following sharp interest rate hikes that created significant downside risks for U.S. and global economic growth.

While US interest rates remained near zero for most of 2021 and 2022 as the Federal Reserve (Fed) sought to support the US economy during the COVID-19 pandemic. However, as inflation began to rise in 2022, the Fed began to raise interest rates in an effort to slow the pace of price increases.

The Fed's benchmark interest rate, was held at a range of 0% to 0.25% from March 2020 to March 2022. However, the Fed subsequently raised the federal funds rate by 0.25%, the first rate hike in over three years. Thereafter, the Fed followed up with another 0.25% rate hike in May 2022, and then raised rates by 0.5 percentage points in June, July, and September 2022. As of December 2022, the federal funds rate was set at a range of 4.25% to 4.5%.

During that time, inflation in the United States rose to a 40-year high of 8.6% in May 2022. While the Fed has indicated that raising interest rates will help to slow the pace of inflation by making it more expensive to borrow money. However, there are concerns that raising interest rates too quickly could tip the economy into a recession. The Fed will need to carefully balance the need to slow inflation with the need to avoid a recession.

Despite the reopening of global economies and significant improvements in economic activity, the EU saw a decline in GDP growth from 5.4% in 2021 to 3.6% in 2022. Similarly, the United Kingdom's GDP growth rate fell from 7.5% to 4.1%.

In keeping with global trends, inflation rates in the EU rose significantly in 2022 compared to 2021. This was due to a number of factors, including the COVID-19 pandemic, the war in Ukraine, and supply chain disruptions.

The COVID-19 pandemic has had a significant impact on the global economy. The pandemic has led to lockdowns, travel restrictions, and disruptions to supply chains. These disruptions have made it more difficult and expensive to get goods and services, which has contributed to higher prices.

The war in Ukraine has also had a significant impact on the global economy. The war has caused energy prices to rise, which has also contributed to higher inflation. Supply chain disruptions have also played a role in the rise in inflation. Supply chain disruptions have made it more difficult and expensive to get goods and services, which has also contributed to higher prices.

Consequently, in Germany, the inflation rate rose from 3.1% in 2021 to 7.3% in 2022. This was the highest inflation rate in Germany since 1981. The main drivers of inflation in Germany were energy prices, which rose by 38.3% in 2022, and food prices, which rose by 5.1%.

Inflation rates in France rose from 1.6% in 2021 to 4.8% in 2022. This was the highest inflation rate in France since 1985. The main drivers of inflation in France were energy prices, which rose by 29.8% in 2022, and food prices, which rose by 4.2%.

Meanwhile, in the United Kingdom, inflation rose sharply from 2.1% in 2021 up to 9.1% in 2022, primarily caused by a 54% Year-on-Year (YoY) increase in energy prices.

The impact of economic sanctions and related disruptions resulted in a decline in Russian GDP growth from 4.7% in 2021 to negative 3.1% in 2022, despite its position as an exporter of key commodities, including oil and gas, agricultural produce, and fertilizer.

Asia continues to be a significant engine of economic activity, despite considerable challenges. In 2021, Asia's GDP growth was estimated at 8.2%, boosted by a strong uptick in trade with the end of COVID lockdowns. However, global headwinds have placed similar constraints on economic performance during the year in review, resulting in a slight reduction in regional GDP growth, down to 5.2% in 2022.

The COVID pandemic and stringent lockdown measures have constrained Chinese economic performance throughout 2021 and the majority of the year under review, resulting in a decline in Chinese GDP growth from 8.4% in 2021 to 3% in 2022. Nevertheless, with the removal of most lockdown measures and expectations of sharp increases in trade and manufacturing, China's GDP prospects are positive.

The year in review has also given rise to additional geopolitical tensions between China and major global powers, as China extends efforts to expand the acceptance of the Chinese Renminbi as an alternative to the US dollar. If these efforts are successful, they could lead to major shifts in the global balance of economic power.

Some countries have managed to weather the storm and emerge stronger. India, for instance, has shown one of the strongest post-COVID economic performances in Asia by exercising prudent control over stimulus measures and leveraging its strong domestic savings and investment rate, a thriving domestic market, and a powerful industrial base. India has also shown a rising importance in regional diplomacy, positioning itself as a progressive ally to Sri Lanka and broader efforts to catalyze a regional economic recovery. The combined impact of these efforts resulted in India having one of the strongest post-COVID economic performances globally at 8.7% in 2021 and 6.9% in 2022, overtaking the UK to become the 5th largest economy in the world in 2022.

Overall, despite some positive signs of recovery in the global economy, significant challenges remain, including the ongoing impact of the pandemic and geopolitical tensions. As a company, it is crucial to remain vigilant and adaptable in response to these challenging economic circumstances

GLOBAL TOURISM

The global tourism industry was one of the sectors hardest hit by the COVID-19 pandemic in 2020. In it's aftermath, international tourist arrivals fell by 72%, the largest decline on record. However, the industry began to recover in 2021, but it was still far from pre-pandemic levels. International tourist arrivals rose by 41% in 2021, but they were still 62% below 2019 levels.

The performance of the global tourism industry in 2022 was mixed.

On the one hand, pent up demand and a global re-opening of tourist hotspots led to a sharp 182% increase in international tourist arrivals in the first seven months of 2022 compared to the same period of 2021. However, the pace of recovery slowed in the second half of 2022, as the Omicron variant of COVID-19 spread and the war in Ukraine began. International tourist arrivals in 2022 are expected to be around 50% of 2019 levels.

The future outlook for the global tourism industry is positive, but weighed down by significant downside risks. The industry is expected to continue to recover in 2023, but it is unclear how long it will take to return to pre-pandemic levels.

The main challenges facing the industry in 2023 are a potential resurgence of COVID-19 cases, and most importantly, the war in Ukraine, and its continuing impact on inflation, which in turn has eroded the purchasing power and discretionary spending capacity of tourists across the globe.

Despite the challenges, the global tourism industry is resilient and is expected to continue to grow in the long term. The industry is supported by a number of factors, including rising incomes, increasing urbanization, and the growth of the middle class in emerging markets.

The global tourism industry is a major economic driver. In 2019, the industry generated $9.2 trillion in economic output and supported 330 million jobs. The industry is also a major source of foreign exchange earnings for many countries. In 2019, the industry generated $1.5 trillion in foreign exchange earnings.

Europe experienced a 51% YoY rise in international tourist arrivals in 2021, but they were still 69% below 2019 levels. France, Spain, Italy, Germany, and the United Kingdom were the top destinations for international tourists in Europe in 2021. Over the year in review, arrivals to Europe were estimated to have increased by 16% YoY.

Meanwhile in America, tourist arrivals increased by 29% YoY in 2021, and 12% YoY in 2022, approximately 40% below pre-pandemic levels.

Similarly, East Asia experienced a 40%YoY increase in international tourist arrivals in 2021 and an additional 10% in 2022, with Thailand, Indonesia, Japan, and South Korea attracting some of the largest global volumes in terms of tourist arrivals in 2022.

In South Asia, international tourist arrivals increased by 30% YoY in 2021 and a further 15% YoY in 2022. However, they are still expected to be 40% below 2019 levels. The top destinations for international tourists in South Asia in 2022 are anticipated to be Maldives, Sri Lanka, India, and Nepal.

The full recovery of international tourism before 2024 remains uncertain, with 61% of the UN World Tourism Organization experts surveyed believing it will occur later, according to the Asian Economic Integration Report (AEIR) 2023.

Risks to recovery include a global economic slowdown, inflation, and geopolitical pressures. The Russian invasion of Ukraine does impact arrivals into Asia, as Russian travelers accounted for one-third of tourist arrivals into the region prior to COVID-19. Soaring jet fuel prices in Asia are dragging on recovery, reducing flights and increasing airfares. Higher inflation is also expecpted to limit travel for tourism.

SRI LANKAN ECONOMY

Sri Lanka's economy contracted by 7.8% in 2022, the worst performance since the 1940s. The economy is expected to contract by another 4.2% in 2023. This decline was driven by a combination of unprecedented global headwinds and severe socio-political volatility caused by the resulting economic crisis of 2022. As a result, on a quarterly basis, Sri Lanka's GDP recorded successive contractions, from 0.5% in Q1 to a 5.1% reduction in Q2 and further contraction of 10.1% and 11.2% in Q3 and Q4 respectively.

Where in 2021, the Agriculture sector generated growth of 2.4% YoY, during the year in review the sector recorded a contraction of 4.8% YoY. Similarly in the industrial sector, growth started to falter. Where in the previous year, the sector posted 2.3% YoY growth, in 2022, the sector posted a sharp 16% YoY reduction growth.

Meanwhile, the services sector-which also includes the nation's resurgent tourism sector, recorded a marginal contraction of 2% YoY, as compared with growth of 5.1% in the previous year. The primary obstacles to growth in the Sri Lankan economy arose from high inflation, a widening current account deficit, and a decline in foreign reserves.

Inflation in Sri Lanka recorded an unprecedented and exponential increase during the year in review. Where in 2021, inflation stood at just 7.3%, in 2022, it reached an all-time high of 73.7%, before moderating somewhat to 59.2% by December 2022, and 49.2% in March 2023.

The rise in inflation was driven by a number of factors, including a sharp increase in global commodity prices, a depreciation of the Sri Lankan rupee, and a widening fiscal deficit.

The current account deficit in Sri Lanka widened to $10.9 billion in 2021, the highest level in five years. The widening of the current account deficit was driven by a decline in exports, a rise in imports, and a decline in remittances.

Foreign reserves in Sri Lanka declined to $2.3 billion in 2021, the lowest level in two years. With the sharp rise in global commodity prices, and efforts that were made to continue servicing of the nation's foreign debt obligations, Sri Lanka depleted its entire foreign reserves in 2022, and was forced to default on its debts for the first time in its history.

Following extraordinary support from international sovereign creditors, Sri Lanka commenced negotiations with the International Monetary Fund in order to secure access to emergency funds to help address the serious hardships that emerged as a result of the economic crisis.

Sri Lanka's export performance in 2022 was strong, with exports increasing by 4.9% to USD 13 billion. This was the highest level of exports in Sri Lanka's history. The increase in exports was driven by a number of factors, including a recovery in global demand, a depreciation of the Sri Lankan rupee, and government support for exporters.

The main export products of Sri Lanka in 2022 were garments, tea, rubber, and spices. Garments accounted for the largest share of exports, followed by tea, rubber, and spices.

Meanwhile, special measures taken through the year to limit imports resulted in a 11.4% YoY reduction in the nation's import bill, down to 18.3 Billion dollars-the lowest in recent history. Imports primarily consisted of fuel, food, and machinery. Fuel accounted for the largest share of imports, followed by food and machinery. The difference in export and import performance in 2022 led to a trade deficit of USD 5.3 billion.

DOMESTIC TOURISM

Sri Lanka's tourism industry faced a double blow in the form of the 2019 Easter Attacks and the COVID-19 pandemic, causing a sharp decline in revenue and tourist arrivals. The pandemic caused a 25.7% YoY drop in revenue, reducing from USD 682 Mn in 2020 to USD 507 Mn in 2021.

In 2020, tourist arrivals plummeted by 61.7% YoY, with only 507,704 visitors recorded, as compared to over 1.9 Mn visitors in 2019, and an all-time high of 2.3 Mn in 2018. However, the industry showed signs of improvement in the final quarter of 2021, with arrivals increasing to 194,495.

Fortunately, the trend gathered momentum in 2022, with tourist arrivals increasing to 719,978 by the end of the year. While this figure is still significantly below pre-pandemic levels, it represents a promising upward trajectory for the industry. By January 2023, arrivals had increased to 102,545, reflecting an increase of 24.5% YoY, but still 43% below the all-time high in January 2018. Consequently, where the industry is projected to generate US$ 2.8 billion by the end of 2023, putting Sri Lanka tourism on target to make a strong recovery over the coming years.

During the year in review, India made the single largest contribution to overall tourist arrivals, accounting for 17.1% of all arrivals, as compared with 28.93% in 2021. Russian tourists were the second-largest group of visitors, making up 12.7% of arrivals. The United Kingdom followed closely behind, with 11.8% of tourists arriving from the country.

Tourists from Germany represented 7.7% of arrivals, while French visitors made up 4.9%. Australian, Canadian, and American tourists contributed 4.3%, 3.7%, and 3.1%, respectively.

Management Discussion and Analysis

Interestingly, the number of tourists from the Maldives increased from 6,772 up to 18,880 while visitors from Poland increased from 15,195 up to 18,107 during the year in review.

Other key emerging target markets for Sri Lankan tourism include China, which is expected to contribute significantly to overall tourist arrivals and tourism earnings over the year ahead as China lifted all prior COVID-19-based travel restrictions. Similarly, Sri Lanka is also seeing encouraging improvements in arrivals from other emerging source markets such as Belgium, Norway, Saudi Arabia, Austria and Sweden, while visitors from Singapore, and Iran also have the potential to contribute positively to the industry's overall performance in 2023.

Despite the challenges, Sri Lanka's tourism industry has the potential to recover and grow in the long term. The country has a number of natural and cultural attractions that make it a popular destination for tourists. The government is also taking steps to improve the tourism infrastructure and promote the country as a tourist destination.

OPERATIONAL HIGHLIGHT

Despite the significant disruptions faced by the tourism industry, The Fortress Resort (TFR) continued to experience notable improvements in performance. In the year under review, the resort hosted 10,148 guest nights and 5,164 room nights, representing an increase from the previous year's figures of 8,755 guest nights and 4,636 room nights. The average occupancy rate also increased from 24% to 27%. However, these figures remain below pre-pandemic levels, with TFR's highest occupancy rate recorded at 71% in 2015/16 and 67% in 2018/19.

The majority of room nights were occupied by Sri Lankan guests (39%) and visitors from the United Kingdom (25%). Other nationalities, including Russian, Australian, Israeli, German, UAE, Indian, French, USA, Swiss, Chinese, Singaporean, Irish, and Belgian tourists, also stayed at the resort. Foreign guests accounted for 80% of total revenue, while Sri Lankans contributed the remaining 20%, representing a slight increase from the previous year when foreign guests generated 83% of total revenue.

During the year, the hotel made several significant investments aimed at improving the overall guest experience. The hotel pool deck underwent renovation in October 2022 at a cost of Rs. 4.5 million. This investment was aimed at providing guests with a modern and comfortable pool area, creating a more attractive and enjoyable environment for relaxation and leisure.

In addition, the hotel lobby received a major upgrade during the year. The old ceiling was replaced with a new one, at a cost of Rs. 6.8 million. This project commenced in September 2022 and was completed in October 2022. The new ceiling not only provides a more visually appealing and modern look but also helps to enhance the overall ambiance of the hotel lobby, providing guests with a more welcoming and comfortable environment.

Apart from these two major investments, the hotel also incurred additional capital expenditures in various areas during the year. A total of Rs. 2.8 million was spent on linen, aimed at improving the quality and comfort of the hotel's guest rooms. Additionally, the hotel invested Rs. 1.1 million in fixtures and fittings, Rs. 1.3 million in kitchen equipment, and Rs. 1.3 million in other equipment, all aimed at enhancing the guest experience.

Overall, the total capital expenditure incurred by the hotel during the year was Rs. 16.9 million. These investments were aimed at enhancing the overall guest experience, and the hotel expects them to yield positive results in the form of increased guest satisfaction, repeat business, and positive word-of-mouth recommendations.

In April 2022, TFR welcomed a new executive chef, resulting in the introduction of a new menu featuring local and international cuisines. The menu includes Western, Sri Lankan, Indian, Vegetarian, Vegan, and Thai dishes and has been well-received by guests. TFR continues to invest in improving its menu.

TFR also invested in marketing and promoting its unique hospitality offering. This included participating in Indian road shows, WTM London, and ITB Berlin, and leveraging social media and targeted promotions to increase awareness among its key target markets.

TFR is committed to providing exceptional service and unforgettable experiences to its guests. The resort's commitment to excellence is reflected in its recent recognition, securing TripAdvisor's "Best of the Best 2022" Category for Romance in Asia and being ranked among TripAdvisor's "Traveler's Choice 2022."

Through its wholly owned subsidiary, La Forteresse (Private) Limited, the company had previously invested in land for the establishment of a second hotel in Mirissa. While this second development is still in the planning stage, the property is ideally located in one of Sri Lanka's most vibrant tourist hotspots on the South coast, and has the potential to significantly augment TFR's total value proposition over the medium-long term.

FINANCIAL HIGHLIGHTS

The company achieved strong financial performance during the year in review, posting significant growth across key financial metrics. Total revenue increased by 25% Year-on-Year (YoY) to Rs. 446.7 million, driven by growth in all key revenue streams.

Room revenue increased by 19% YoY to Rs. 246.2 million, while food and beverage and spa revenues increased by 37% YoY to Rs. 163.6 million and 14% YoY to Rs. 14.5 million, respectively.

The company experienced a reduction in other income and gains from Rs. 23.8 million to Rs. 6.8 million during the year in review. However, TFR benefited from a major 155% YoY appreciation in finance income, driven by prudent investment strategies within the high-interest environment that prevailed during the year.

The company's operating costs increased by 35% YoY due to significant rupee depreciation and high levels of inflation. Despite the encouraging recovery in the company's top-line performance, particularly in the final quarter of the year, the challenges faced resulted in a loss of Rs. 19.8 million during the year, compared to a profit of Rs. 33 million in the preceding year. TFR posted a loss per share of Rs. 0.18 during the year, compared to earnings per share of Rs. 0.30 in the previous year.

Considering the exponential improvements in tourist arrivals, the company anticipates a swift return to profitability by the end of the coming financial year.

Sustainability Review

The sustainable strategy of The Fortress Resorts and Spa is geared to consistently create value for all stakeholders with focus on our economic, social and environmental impact. Our six capital outlook combines this threefold impact to remain accountable, transparent and sustainable while growing in tandem with our future goals.

We monitor our sustainability initiatives through obtaining clear metrics from our financial, manufacturing, social and relationship, human, natural and intellectual capital targeting future optimisation.

Capitals	Definitions	Inputs	Output	Value created
Managing funds-Financial capital	Economic resources that fund business operations and enable expansion, property acquisition and ultimately value creation.	• Shareholder funds • Retained Earnings • Credit Facilities from financial institutions	• Liquidity • Profitability	• Economic value • Brand value • Shareholder value
Utilising infrastructure-Manufactured capital.	• Income generating infrastructure	• Hotel buildings • Plant and machinery • IT infrastructure • Furniture and fittings	• Better return on investments • Customer satisfaction	• Increased profitability • Improvement of efficiency and productivity • Brand image building
Enriching skills-Human capital	Knowledge, expertise, skills and wisdom of the people of the organisation.	• Skills • Knowledge • Development • Health and safety protocol • Workforce Compensation and incentive plans • Workforce demographics and diversity	• Remuneration and recognition • Skilled workforce • Safe and conducive work environment	• Enhanced intellectual capital • Satisfied workforce • Committed employees that create value for customers
Nurturing relationships-Social and relationship capital	Stakeholder engagement, information sharing and strengthening relations with both customers and business partners.	• Customer engagement • Robust communication with business partners • Community engagement	• Positive customer and business partner experiences • Meeting stakeholder expectations • Building a positive relationship with the community	• Enhanced brand reputation • Enhanced business partner and customer confidence • Long-term profitability

Capitals	Definitions	Inputs	Output	Value created
Intangible assets- Intellectual capital	Knowledge, industry expertise and intellectual properties that allow the organisation to gain a competitive edge	• Knowledge • Guests' data profiles • Employee and Management • Experience in the hospitality industry	• Enhanced customer satisfaction • Enhanced brand image as a luxury boutique hotel	• Improved customer confidence • Enhanced brand reputation • Long-term profitability • Operational sustainability
Preserving nature- Natural Capital	The world's ecological assets.	• Adopting energy efficient measures • Water and energy conservation • Emission and waste management strategy	• Contribution to environmental sustainability • Internalised sustainability approach	• Enhanced brand reputation • Sustainability of operations • Long-term profitability

FINANCIAL CAPITAL (IFY21/22 VS FY22/23) & % CHANGE

Despite a significant improvement in revenue generation during the year in review, and particularly over the final quarter, TFR recorded a loss of Rs. 19.8 million during the year in review. The negative performance was primarily a result of the unprecedented challenges faced during the majority of the year, as well as sharp increases in cost of operations owing to increases the cost of all primary inputs. As a result, the hotel's retained earnings and shareholder funds were negatively impacted

OPERATING EXPENSES

	2023	2022	Change (%)
Cost of Sales	170,081,640	109,416,338	(55%)
Advertising & Marketing	26,439,944	12,920,205	(105%)
Administrative expenses	319,792,487	243,821,570	(31%)
Finance cost	7,823,805	11,735,673	33%

The below table illustrate the overall financial performance of the Fortress Resort and Spa for the financial year 2022/23 with the comparatives for financial year 2021/22:

Earnings Highlights & Ratios		FY2023 (Rs.)	FY2022
Revenue	Rs.	434,696,289	349,167,218
Earnings/(Loss) before interest and tax (EBIT)	Rs. '000	7,144	39,019
Group profit/(loss) before tax (PBT)	Rs. '000	(680)	27,283
Group profit/(loss) after tax (PAT)	Rs. '000	(19,842)	33,049
Group profit/(loss) attributable to the shareholders	Rs. '000	(19,519)	31,887
Earnings/(loss) per share (EPS)	Rs.	(0.18)	0.30
EPS Growth %	%	(160)	119
Interest cover	No of times	1	3
Return on Equity %	%	(1)	2
Pre-tax ROCE	%	(1)	2
Balance Sheet highlights and ratios			
Total assets	Rs. '000	1,826,630	1,919,266
Total debt	Rs. '000	-	82,705
Total shareholders' funds	Rs. '000	1,609,145	1,628,664
No. of shares in issue	Number	110,886,684	110,886,684
Net assets per share	Rs.	14.51	14.69
Debt/Equity	%	0	5
Debt/Total assets	%	0	4
Operational information			
Average occupancy	%	27	24
Number of room nights sold	Room nights	5,164	4636
Room revenue	Rs. '000	246,198	206,042
Average room rate (ARR)	Rs.	47,676	44,444
Revenue per occupied room	Rs.	84,178	81,877
Net profit per room	Rs. '000	(374)	623

With the severity and the restrictions imposed as a result of the COVID-19 pandemic having been relaxed world-wide – including in regions like China which had some of the most stringent restrictions in place, the outlook for global tourism is improving. However, continuing global economic and geopolitical volatility has the potential to limit the industry's performance over the coming year. Nevertheless, with Sri Lanka's tourism numbers showing strong improvements each month, a significant recovery in tourist arrivals is anticipated in 2023, which in turn will create major opportunities for TFR to enhance its performance and return to profitability.

MANUFACTURED CAPITAL

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

The below table illustrate TFR's manufactured portfolio including the value of physical assets.

Asset Category	FY 2023	FY 2022
Land	359,721,000	359,721,000
Building - Hotel	632,365,782	654,253,939
Admin Building	48,649,645	50,762,558
Plant and Equipment	1,410,879	1,747,134
Furniture and Fittings	43,577,642	53,741,393
Fixtures and Fittings	31,963,834	37,231,877
Computer Equipment	2,842,429	3,302,008
Telephone Equipment	140,348	220,490
Kitchen Equipment	1,131,630	440,028
Electrical Equipment	24,620,888	32,993,535
Linen and Furnishing	3,947,505	2,672,450
Cutlery and Crockery	676,633	-
Other Equipment	4,086,797	4,446,357
Air Conditioners	2,181,192	2,005,545
Motor Vehicles	646,676	2,688,704
Total Assets	1,157,962,880	1,206,227,320

During the year under review, TFR acquired property, plant and equipment to the aggregate value of Rs, 16.86 Million Meanwhile, cash payments amounting to Rs. 16.86 Million were made during the year for purchase of Property, Plant and Equipment

The below table illustrate the new additions to the Manufactured Capital during the financial year 2022/23:

Capital	Expenditure Rs. million
Furniture and Fittings	0.48
Fixtures and Fittings	1.11
Computer Equipment	0.96
Telephone Equipment	0.02
Kitchen Equipment	1.27
Electrical Equipment	0.93
Linen and Furnishing	2.85
Other Equipment	1.15
Air conditioners	0.52
Building - Lobby Ceiling	6.77
Cutlery & Crockery	0.77
Total capital expenditure	16.86

As a luxury boutique hotel that cater to discerning customers, TFR remains committed to maintaining high standards of our buildings, furniture, equipment and land whilst also maintaining energy and cost efficiency as well as the environmental impact of such endeavours.

INTELLECTUAL CAPITAL

In today's highly competitive business environment, characterised by a reliance on knowledge and expertise, intellectual capital has emerged as a key driver of organizational success. At an organizational level, TFR views intellectual capital as an indispensable component of our total value proposition. Our intellectual capital is derived from a knowledge-driven approach to hospitality that integrates expertise, experience, and insight.

We recognize that our intellectual capital is closely intertwined with our human capital, which is manifested in the proficiency, training, knowledge, work ethics, and experience of our employees. Accordingly, we place a strong emphasis on the training and development of our workforce, which is aimed at fostering the skills and competencies necessary to deliver exceptional service to our discerning clientele.

Our commitment to employee development ensures that our intellectual capital is continually enhanced, resulting in sustainable competitive advantages that enable us to maintain our market position in the highly competitive hospitality industry.

As in the previous year, the extreme challenges in the Sri Lankan economy continues to create significant challenges in retaining our most valuable employees, who are often compelled to seek employment overseas. The lull in tourist arrivals also discouraged many more from joining the tourism industry, however, with opportunity returning to the industry, these conditions may moderate in the year ahead. In order to add as much value to our employees, we continue to channel significant resources towards training and development of experienced staff, and recruiting from the best talent pools available in the country.

HUMAN CAPITAL

The Intellectual Capital of TFR is closely linked to our Human Capital. We acknowledge the critical role played by our employees in our success, and consistently provide them with opportunities to acquire knowledge, enhance their skills and receive training.

During the year in review, the company invested Rs. 100,000 on employee training, as compared with Rs. 25,000 in the previous year.

Details of the training opportunities provided for staff during the year in review detailed below:

Key areas of focus	No of sessions
Customer Service & Service Standards	07
Food Hygiene & Food Safety	07
Time & Motion Studies9on the Job)	06
First Aid Training	01
Fire Safety Training	01
Induction Training for new recruits	08

To ensure that our employees remain motivated and engaged, we also offer timely rewards, recognition and remuneration. Our investment in our Human Capital not only creates economic value, but also contributes to social value, aligning with our commitment to sustainable growth.

Employee welfare was another key priority. During the year in review, the following were the investments directed into employee welfare.

Employee welfare	FY2023	FY2022
Medical Insurance	Rs. 1.5 Mn	Rs. 1.9 Mn
Staff Meals	Rs. 20.1 Mn	Rs. 8.5 Mn

At TFR, we are committed to being an equal opportunity employer, with a strict policy against discrimination based on gender, ethnic background or religious views. We also continue to ensure strict and total compliance with all applicable legal regulations, including with child labour laws. We believe that creating a supportive work environment is essential to building a strong Human Capital, and we work towards this by conducting transparent annual performance reviews, offering permanent work opportunities to contract-based employees, providing necessary salary increments, commissions, and rewards to all staff members, and offering a range of benefits such as insurance policies with family coverage, career development opportunities, and training.

Moreover, we periodically conduct occupational health and safety audits to determine the relevance of the prevailing Occupational Health and Safety practices. We provide frequent training to our employees on occupational health and safety as well as firefighting and evacuation training.

Despite the challenges posed by the operational environment, we remained steadfast in our focus on employee welfare. To encourage staff engagement, we organised several staff and family-oriented activities, including staff trips, interdepartmental sports events, traditional events, and staff parties.
The below tables present a detailed picture of our employee demographic:

	FY 2022/2023
Number of employees	188

Age Category	Total Number	Male	%	Female	%
18-20	12	12	100.00	-	-
21-30	54	46	85.18	8	14.82
31-40	44	36	77.77	8	22.23
41-50	49	46	81.82	3	18.18
51-55	20	20	100.00	-	-
56+	09	08	88.88	1	11.12
Total	188	168	89.36	20	10.64

No of Years of Service	Total no	Male	%	Female	%
0-5	104	93	89.42	11	10.58
6-10	38	32	84.21	6	15.79
11-15	26	23	88.46	3	11.54
16-20	20	20	100.00	-	0.00
21+	-	-	-	-	-
Total	188	168	89.36	20	10.64

Gender ratio

Total	Male	%	Female	%
168	168	89.36	20	10.64

Grade	Female	%	Male	%
Executive	4	12.12	29	87.88
Clerical & Allied	7	58.33	5	41.67
Supervisory/Technical	1	3.70	26	96.30
Semi-skilled/Skilled	4	5.19	73	94.81
Trainee/Unskilled	4	10.25	35	89.75
Total	20	10.64	168	89.36

Type of employment	Female	%	Male	%
Permanent staff	13	12.62	90	87.38
Contract staff	4	6.15	61	93.85
Trainee	3	15.00	17	85.00
Internships	-	-	-	-
Total	20	10.64	168	89.36

Age	Total No	Male	%	Female	%
18-20	6	6	100.00	-	0.00
21-30	44	40	90.90	4	9.10
31-40	9	9	100.00	-	0.00
41-50	10	10	100.00	-	0.00
51-55	2	2	100.00	-	0.00
56+	10	10	100.00	-	0.00
Total new hires	81	77	95.06	4	4.94

SOCIAL AND RELATIONSHIP CAPITAL

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

CUSTOMER RELATIONS

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

BUSINESS PARTNER RELATIONS

TFR maintains business partner relationships through employing a number of communication channels. We have allocated separate Business Development Members to the team to communicate and engage business partners such as foreign travel agents/ tour operators, local travel agents/ DMCSs (destination management companies) as well as corporate entities.

During the year under review, we participated in a number of travel fairs including:

Event	Period	Investment
Indian Road Show	September 2022	Rs. 600,000
WTM-London	November 2022	Rs 2,000,000
ITB Berlin	March 2023	Rs. 5,000,000

SHAREHOLDER RELATIONS

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

SOCIAL RELATIONS

During the year, TFR participated in several community initiatives aimed at promoting environmental sustainability. One such initiative was the Tree Planting Program organised by Kathaluwa Central College in Ahangama, for which TFR donated 50 plants and sponsored refreshments for the students and teachers. The hotel incurred an expense of approximately Rs. 50,000 for this event.

In addition, TFR staff organised three beach cleaning programs during the year. Moreover, the hotel sponsored a beach cleaning program organised by school children to celebrate World Environment Day. Through these community initiatives, TFR continues to demonstrate its commitment to environmental conservation and corporate social responsibility.

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

Assisting local cultural performers through organising weekly performances Assisting other local artists through allowing them to entertain hotel guests Supporting the school children in the nearby village through the provision of books, clothing and necessary sanitary material Donating annual school book vouchers to children of staff members

NATURAL CAPITAL

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

The organic garden at TFR has reached its maximum capacity and is fully operational. The entire one-acre area has been utilised for growing local vegetables and herbs, along with Banana and Papaya trees. In addition, Coconut and King Coconut trees have yielded a reasonable harvest. TFR has invested Rs. 250,000/- during the year for the maintenance and upkeep of the garden. The value of the harvest during the year was Rs. 640,000/-.

WATER MANAGEMENT STRATEGY

During the year under review, we took a number of practical steps to minimise water consumption and wastage. While we conducted several awareness sessions for TFR staff on water management, we implemented a number of other strategies as well to minimise wastage of water:

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

ENERGY MANAGEMENT STRATEGY

Our commitment to sustainability remained unwavering even during the height of last year's economic crisis. Our investments in sustainability initiatives played a critical role in supporting our daily operations, particularly during the peak of the crisis.

TFR's prior investments in solar panels were particularly valuable as they helped us continue producing hot water during the fuel crisis. If not for the solar panels, we would have had to rely on the diesel-fired boiler to produce hot water, which was challenging due to the lack of fuel availability.

Thanks to the solar power panel project, we estimate that we were able to save about 50 liters of diesel per day. This was a significant relief during the crisis times, as there were frequent and lengthy power cuts, and we had to conserve diesel for the generators.

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

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

WASTE MANAGEMENT STRATEGY

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

Risk Management

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

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

Risk Management Process

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

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

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

- Managing risk is a key aspect of the Board's stewardship obligations. The Board is assisted in the discharge of duties by the Audit Committee.
- The hotel Business Process Review division together with the outsourced Internal Auditors supports the Audit Committee in performing its assurance role through regular reviews and recommendations on the robustness of the internal control systems in place.
- Responsibility for effective execution of risk management at executive level lies with the Hotel Risk Management Committee comprising of the General Manager, Managing Director, Chief Financial Officer and operational managers fostering a high level of risk awareness across the organization.

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

KEY RISKS ARE HIGHLIGHTED BELLOW

Risk factor	Potential Impact	Mitigating actions
1. Country Situation & Economic crisis		
Description International travel bans to Sri Lanka, high travel insurance premiums to Sri Lanka.	Low tourist arrivals, reducing room rates and other offerings, reducing revenues and profits. Loosing confidence of the travelers about Sri Lanka and it will disrupt future travel plans as well.	• Join hands with SLTDA for target promotions to be done in UK and Europe. • Aggressive social media awareness campaigns in target markets along with fresh updates about Sri Lanka. • Monthly email campaigns to tour operator partners and target foreign nationals along with repeat customers.
2. Global Pandemic Outbreak		
Description International travel restrictions, imposition of travel advisories against Sri Lanka and local travel restrictions.	• Lower tourist arrivals places pressure on average room rates, squeesing margins and reduce profits.	• Introduction of COVID-19 safety guidelines to the hotel and head office. • Establishment of protocols as per the Business Continuity Plans on action to be taken in the event of an active case within a business unit. • Follow latest guidance and recommendations of Government, global and local health officials on implementation of appropriate health and safety measures for staff and guests, to curb the spread of disease at other places. • Re-assure employee and existing and potential guests of the Hotel's commitment to safety and wellbeing, through a dedicated page on the hotel website. • Analyze the cost structure of the operational model and progress towards a variable cost base as much as possible as opposed to fixed costs.
3. Threat from Terrorism and Civil Unrest		
Description Possible attacks on civilians and economic targets by terrorists may lead to civil unrest and imposition of travel advisories against Sri Lanka.	• Loss of Revenue due to tourists choosing alternate travel destinations. • Property damage • Loss of staff, guests, patrons	• Establishment of protocols as per the BCP on action to be taken in such an event. • Appointment of Vigilance Officers at each location and establishment of reporting protocols. • Establishment of direct link with local intelligence for information on potential risks. • Review/implementation of Emergency Response Plans for armed intrusions/hostage/ handling/isolation/bomb threat

Risk factor	Potential Impact	Mitigating actions
4. Brand reputation impact		
Description Events that could negatively affects Hotel's reputation and relationships with key stakeholders.	• Negative online guest comments. • Food poisoning incidents. • Adverse impact on brand positioning.	• Training and development of staff. • Conduct of compliance audits/Brand audits. • Brand positioning, development and marketing. • Establishment of a Crisis Communication Plan/Team and Spokesperson.
5. Guests/Staff Health and Safety		
Description Events that could have an adverse impact on the health and safety of guests and employees.	• Disruption to business activities. • Loss of revenue • Adverse brand reputation. • Potential claims and litigation.	• Establishment of standard operating procedures to ensure Guest and Staff health and safety. • Conduct of periodic audits and addressing of gaps identified through training. • Availability of a periodically trained firefighting team and first aid team. • Guidelines for client excursions and adventures.
6. Technology and Data Risks		
Description Risk of financial loss, disruption or damage to the reputation resulting from the failure of cyber security and information technology systems.	• Potential loss of information assets of the hotel. • Impact on customer privacy in the event of a potential loss event.	• Well-defined 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 of sensitive information. • Implementation and regular testing and verification of network protection technology. • Contractual binding with Group IT for BCP protocols.
7. Retention of skilled employees		
Description Retention of skilled employees is an ongoing challenge in the hospitality industry due to employment opportunities both locally and internationally.	• Challenges in maintaining service quality. • Increased cost associated with new recruitments. • Impact on competitive edge and brand loyalty.	• Ongoing investment in talent and competency development. • Strengthening rewards and benefit schemes. Periodic benchmarking is carried out against market remuneration packages. • Talent management and succession planning programmes for critical positions.

Risk factor	Potential Impact	Mitigating actions
8. Exchange rate		
Description Impacts on profitability from depreciation of exchange rates.	• Foreign exchange losses on foreign currency-based transactions. Escalation of prices in imported products and raw materials.	• Regular monitoring of fluctuations in exchange rates. • Inclusion of terms in third party agreements to mitigate foreign currency exposure. • Investing of excess funds in foreign currency
9. Liquidity risk		
Description Potential liquidity constraints arising from operational losses.	• Inability to make operational payments.	• Regular review of cash flow forecasts and obtaining funding on a timely manner. • Obtaining debt moratoriums offered by the Central Bank of Sri Lanka. • Strategies in place to improve business volumes, operational efficiencies and margins. • Cost reduction initiatives to improve margins and cash flows.
10. Credit risk		
Description Risk of default from customers in settling their payments.	Negative impact on cash flows.	• Stringent credit policy in place. • Evaluation of customer credit worthiness. • Obtaining periodic confirmations on outstanding balances. • Regular follow up on debtors. • Weekly debtors meetings.
11. Natural Disaster and Fire		
Description Risk of Tsunami/Cyclone/ Flooding/Fire	Loss of life, injury or destruction and damage to property.	• Business Continuity Plans including alternate working arrangements and emergency response plans. • Conduct of Business Process Recovery drills, fire drills and training. • Agile work environment. • Insurance coverage for physical damage of properties. • Implementation of safety guidelines based on international best practices including requirement for emergency evacuation.

Risk factor	Potential Impact	Mitigating actions
11. Implication of Climate Change and Plastic Pollution.		
Description Implications include decline of ecosystems, increases in temperature, decline in biodiversity and increase in natural disasters.	• Potential negative impact to Sri Lanka.	• Promoting ongoing efforts to reduce the consumption of natural resources, and single use plastics. • Setting up standards, trainings and monitoring range of environmental indicators including water, energy, waste and carbon footprint. • Consider long-term climate change impacts in evaluating expansion plans. • Promoting awareness among key stakeholders on sustainable operations.

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

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

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

The Directors of The Fortress Resorts PLC have pleasure in presenting their Annual Report together with the Audited Financial Statements of the Company and the Consolidated Financial Statements of the Company and its subsidiaries for the financial year ended 31st March 2023 conforming to all relevant statutory requirements.

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

GENERAL

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

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

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

PRINCIPAL ACTIVITIES OF THE COMPANY AND ITS SUBSIDIARIES

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

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

FINANCIAL STATEMENTS

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

AUDITORS' REPORT

The Report of the Independent Auditors on the Financial Statements of the Company and its subsidiaries is given on pages 63 to 65.

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 70 to 99 which are consistent with those of the previous year.

DIRECTORS

Directors of the Company

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

Executive Directors

Mr. K D H Perera	-	Chairman/Managing Director
Mr. Jan P van Twest	-	Director

Non-Executive Directors

Mr J A S S Adhihetty	-	Director
Mr Malik J Fernando	-	Director
(Alternate Director Mr. R N Malinga)		
Mr Merril J Fernando	-	Director
Mr L N de S Wijeyeratne*	-	Senior Director
Mr Chatura V Cabraal*	-	Director
Mr C U Weerawardane*	-	Director
Mr J R Gunaratne*	-	Director

*Independent Non-Executive Directors

Mr Dhammika Perera who served as the Chairman of the Board of Directors resigned with effect from 10th June 2022 and accordingly, Ms A

A K Amarasinghe ceased as his Alternate Director with effect from 10th June 2022.

Mr R E U De Silva resigned as a Director with effect from 16th December 2022.

Mr. K.D.H. Peera was appointed as the Chairman of the Board of Directors with effect from 16th May 2023.

Mr. L.N. de S.Wijeyeratne was appointed as the Senior Independent Non-Executive Director of the Company with effect from 16th May 2023.

The Directors have recommended the re-appointment of Mr Merril J Fernando, who is 93 years of age, Mr L N de S Wijeyeratne, who is 73 years of age and Mr J A S S Adhihetty, who is 73 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 Malik J Fernando and C U Weerawardane retire by rotation and being eligible are recommended by the Board for re-election at the forthcoming Annual General Meeting.

Mr J R Gunaratne who was appointed as a Director on 1st February 2023 retires in terms of Article 91 of the Articles of Association and being eligible, is recommended by the Board for re-election.

DIRECTORS OF SUBSIDIARY COMPANIES AS AT 31ST MARCH 2023

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

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

INTERESTS REGISTER

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

The names of the Directors, who were directly or indirectly interested in Contracts or related party transactions with the Company or its subsidiaries during the accounting period, are stated in Note 25.2.1 to the Financial Statements.

DIRECTORS' REMUNERATION

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

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

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

STATED CAPITAL

The Stated Capital of the Company as at 31st March 2023 amounted to Rs 1,108,866,840/- represented by 110,886,684 shares.

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

DIRECTORS' SHAREHOLDING

The relevant interests of Directors in the shares of the Company as at 31st March 2023 and 31st March 2022 are as follows:

Name of Director	Shareholding as at 31/03/2023	Shareholding as at 31/03/2022
Mr K D H Perera	Nil	Nil
Mr J A S S Adhihetty	13,741	13,741
Mr Malik J Fernando	833,333	833,333
Mr Merril J Fernando	2,124,400	2,124,400
Mr L N de S Wijeyeratne*	Nil	Nil
Mr Jan Van Twest	Nil	Nil
Mr Chatura V Cabraal*	Nil	Nil
Mr C U Weerawardane*	Nil	Nil
Mr J R Gunaratne *	Nil	Nil
Mr. R N Malinga (Alternate Director to Malik J Fernando)	Nil	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 2023.

Mr J A S SAdhihetty is also a Director of Vallibel One PLC which held 20,618,257 as at 31st March 2023.

Messrs Merril J Fernando and Malik J Fernando are Directors of MJF Holdings Limited, which held 28,616,411 shares as at 31st March 2023.

Mr L N De S Wijeyeratne is a Director of Royal Ceramics Lanka Plc which held 336,100 shares as at 31st March 2023.

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 102 and 103.

AUDITORS

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

A sum of Rs. 110,000/= is payable by the Company to the Auditors as Audit Fees (Group-Rs, 660,000/=) for the year under review.

The Auditors have also provided non-Audit services and the fee payable therefore amounts to Rs, 90,255/= (Group-Rs, 261,750/=)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 43,233/=)

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 33 to 37 of this report.

LAND HOLDINGS

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

EMPLOYEES AND INDUSTRIAL RELATIONS

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

STATUTORY PAYMENTS

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

DECLARATION UNDER RULE 9.3.2 (D) OF LISTING RULES

The Directors declare that the Company is in compliance with Rule 9 of the Listing Rules of the Colombo Stock Exchange pertaining to Related Party Transactions during the Financial Year ended 31st March 2023.

EVENTS OCCURRING AFTER THE REPORTING DATE

Except for the matters disclosed in Note 26 to the Financial Statements on page 96 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 30th June 2023 at 11.00 a.m. at the Auditorium of L B Finance PLC, Corporate Office, No.20, Dharmapala Mawatha, Colombo 03

The notice of the Annual General Meeting appears on page 104.

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

K D H Perera

K D H Perera
Chairman/Managing Director

L N De S Wijeyeratne
Senior Director

Lasanthi Abeyakoon
P W Corporate Secretarial (Pvt) Ltd
Secretaries

26 May 2023
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 Nine (09) members (of whom one has an Alternate Director). Seven (07) Directors are Non-Executive Directors.

The names of the Directors who served during the year under review are given on page 38.

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

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.

CHAIRMAN/MANAGING DIRECTOR

The roles of the Chairman and Managing Director are combined. The Board has appointed a Senior Independent Non-Executive Director to ensure sufficient balance of power.

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 2023 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	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 Merril J Fernando	Non-Executive	00/05
Mr L N de Silva Wijeyeratne	Independent Non-Executive	05/05
Mr Chatura V Cabraal	Independent/Non-Executive	04/05
Mr C U Weerawardena	Independent/Non-Executive	05/05
Mr J R Gunaratne	Independent/Non-Executive	01/05
Mr R N Malinga *(Alternate Director to Mr. Malik J Fernando)*	-	05/05

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

BOARD SUB COMMITTEES

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

AUDIT COMMITTEE

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

The Senior Management attends the meetings by invitation.

REMUNERATION COMMITTEE

The Remuneration Committee consists of two (2) Non-Executive Directors, one (01) of whom is an Independent Director. 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 Managing Director. They ensure that risks and opportunities are identified and steps are taken to achieve targets within defined timeframes and budgets.

Corporate Governance

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 56 of this Report.

INTERNAL CONTROLS

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

CORPORATE DISCLOSURE AND SHAREHOLDER RELATIONSHIP

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

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

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

FINANCIAL DISCLOSURES AND TRANSPARENCY

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

AUDITORS

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

STATUTORY PAYMENTS

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

By Order of the Board
The Fortress Resorts PLC

P W Corporate Secretarial (Pvt) Ltd
Director/Secretaries

26 May 2023

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 Governence
7.10.2 (a)	Independent Directors	Two or one third of Non-Executive Directors which ever is higher should be Independent.	Compliant	Corporate Governence
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 Governence
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 Governence
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 Annual Report.
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 Bpard of directors (profile) section in the Annual Report.
7.10.5	Remuneration Committee	A Listed company shall have a Remuneration Committee.	Compliant	Corporate Governence/ 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 Governence/ Remuneration Committee Report
7.10.5 (b)	Functions of Remuneration Committee	The Remuneration Committee shall recommend the remuneration of Chief Excutive Officer and Non-Executive Directors.	Compliant	Corporate Governence
7.10.5 (c)	Disclosure in the Annual Report relating to Remuneration Committee.	The Annual Report should setout Names of Directors comprising the RC.	Compliant	Corporate Governence and the Board Committee Reports.

Rule No	Subject	Applicable requirement	Compliance Status	Applicable section in the Annual Report
7.10.5 (c) Contd.		(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.
		Chief Executive Officer and the Chief Financial Officer should attend Audit Committee Meetings.		Audit committee report
		The Chairman of the Audit Committee or one member should be a member of a professional accounting body.		Audit committee report
7.10.6 (b)	Audit Committee Functions	Should be as outlined in the Section 7 of the listing rules		Audit committee report
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 Practise 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. Skill adequacy of management and succession Integrity of information , internal controls and risk management Compliance with laws, regulations and ethical standards Code of conduct Adoption of appropriate accounting policies		Corporate Governance
A.1.3	Access to professional advice	Procedures to obtain independent professional advice		
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 efectively perform duties		
A.2 DIRECTORS - Chairman & Chief Executive Officer				
A.2.	Division of responsibilities to ensure no individual has unfettered powers of decision.	A balan.ce of power and authority to be maintained by seperating responsibility for conducting Board business from that of executive decision making		

Code Ref.	Subject	Applicable Requirement	Adoption Status	Applicable Section in the Annual Report
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 acuman and knowledge within Board.		Corporate Governance
A.5 DIRECTORS - Board Balance				
A.5.1	Composition of Board	The Board should include a sufficient number of non - executive independent directors.		Corporate Governance
A.5.2	Proportion of independent directors	Two or one third of the non - executive diretors should be independent.		Corporate Governance
A.5.3	Test of independence	Independent directors should be independent of management and free of any business or other relationship that could materially interfere with the exercise of unfettered and independent judgement.		
A.5.4	Declaration of independence	Non - executive directors should submit a signed and dated declaration of their independence/non - independence		
A.5.5	Annual determination of criteria of independence/ non - independence and declaration of same by Board	The Board should annually determine and disclose the name of directors deemed to be independent		Corporate Governance
A.5.6	Appointment of senior Independent Director	If the roles of Chairman/CEO are combined, a non - executive should be appointed as a Senior Independent Director.	N/A	
A.5.7	Availability of Senior Independent Director to other Directors	If warranted the SID should be available to the other directors for confidential discussions.	N/A	

Code Ref.	Subject	Applicable Requirement	Adoption Status	Applicable Section in the Annual Report
A.5.8	Interaction between Chairman and non - executive independent directors.	The Chairman should meet the non - executive independent directors at least once a year.		
A.5.9	Directors concerns to be recorded	When matters are not unanimously resolved, directors to ensure their concerns are recorded in Board minutes.	N/A	
A.6 DIRECTORS - Supply of information				
A.6.1	Provision of adequate information to Board	Management to ensure the board is provided with timely and appropriate informstion.		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		

Code Ref.	Subject	Applicable Requirement	Adoption Status	Applicable Section in the Annual Report
A.9 DIRECTORS - Appraisal of Board Performance				
A.9.1	Annual appraisal of Board performance	The Board should annually appraise how effectively it has discharged its key responsibilities		
A.9.2	Self evaluation of Board and Board Committees	The Board should evaluate its performance and that of its committees annually		
A.9.3	Declaration of basis of performance evaluation	The Board should disclose how performance evaluations have been carried out		
A.10 DIRECTORS -Disclosure of information in respect of Directors				
A.10.1	Biographical profiles and relevant details of Directors to be disclosed	Annual report should disclose the biographical details of directors and attendance at board/committee meetings		Board of Directors, Corporate Governance/Audit Committee Report.
A.11 DIRECTORS - Appraisal of Chief Executive Officer				
A.11.1	Short , medium and long term , financial and non - financial objectives to be set.	The Board should set out the short, medium and long term, financial and non - financial objectives at the commencement of each year.		
A. 11.2	Evaluation of CEO performance	The performance of the CEO should be evaluated by the Board at the end of the year.		
8.1 DIRECTORS REMUNERATION - Remuneration Procedure				
8.1.1	Appointment of Remuneration Committee	Remuneration Committee of parent may function as scuh for the Company to make recommendations on directors remuneration		Remuneration Committee report
8.1.2	Composition of Remuneration Committee	Board to appoint only non - executive directors to serve on Remuneration Committee.		Remuneration Committee report
8.1.3	Disclosure of members of Remuneration Committee	The Annual Report should disclose the Chairman and directors who serve on the Remuneration Committee.		Corporate Governance
8.1.4	Remuneration of non - executive directors	Board to determine the level of Remuneration of non-executive directors		Remuneration Committee report

Code Ref.	Subject	Applicable Requirement	Adoption Status	Applicable Section in the Annual 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 detrmining annual increases remuneration committee should be sensitive to that of other Group companies	NA	
8.2.4	Performance related elements of remuneration	Performance related elements of remuneration should be aligned with interests of Company.		
8.2.5	Share options	Executive should not be offered at a discount	NA	
8.2.6	Remuneration packages fro non - executive directors	Should reflect time commitment and responsibilities of role and in line with existing market practice	NA	
8.3 DIRECTORS REMUERATION - Disclosure of Remuneration				
8.3	Disclosure of details of remuneration	The Annual Report should disclose the remuneration paid to directors		Financial Statements note 25.2.1
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

Code Ref.	Subject	Applicable Requirement	Adoption Status	Applicable Section in the Annual Report
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		Annual Report of the Board of Directors
		Material interests in contracts have been declared by Directors		Financial Statements
		The Company has endeavoured to ensure equitable treatment of shareholders		Corporate Governance
		That the business is a "going concern"		Annual Report of the Board of Directors
		That there is reasonable assurance of the effectiveness of the existing business systems following a review of the internal controls covering financial, operational and compliance		Audit Committee report, Risk Management
D.1.3	Respective responsibilities of Directors and Auditors	The Annual Report should contain separate statements setting out the responsibilities of the Directors for the preparation of the financial statements and the reporting responsibilities of the Auditors		Respective responsibilities of Directors and Auditors
D.1.4	Management Discussion and Analysis	Annual Report to include section on Management Discussion and Analysis		Management Discussion and Analysis
D.1.5	Going Concern	Directors to substantiate and report that the business is a going concern or qualify accordingly		Annual Report of the Board of Directors

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

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

The financial statements of The Fortress Resorts PLC and the consolidated financial statements of the Group, as at 31st March 2023, 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/Managing Director

Thilaksiri Dunuhinga
Chief Financial Officer

26 May 2023

Statement of Directors' Responsibilities

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

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

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

Further, the Directors confirm that, after review of the Company's Business Plan for the financial year 2023/2024, including cash flows and borrowing facilities, they are of the view that the Company has adequate resources to continue in operation and accordingly, have applied a going concern basis in preparing the financial statements.

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

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

By Order of the Board
The Fortress Resorts PLC

P W Corporate Secretarial (Pvt) Ltd
Secretaries

26 May 2023

Remuneration Committee Report

COMPOSITION

The remuneration committee consist of three non-executive Directors, two of whom are Independent Directors. The following Directors serve on the committee.

Mr. J.A.S.S. Adhihetty (Chairman)
Mr. J.R. Gunaratne (Member)
Mr. C.U. Weerawardana (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	Number of meetings conducted	Attendance
Mr. J.A.S.S. Adhihetty (Chairman)	2	2/2
Mr. J.R. Gunaratne (Member)	2	1/2
Mr. C.U. Weerawardana (Member)	2	2/2

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

FUNCTIONS

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

DIRECTORS' REMUNERATION

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

Sumith Adhihetty
Chairman - Remuneration committee
26 May 2023

Audit Committee Report

TERMS OF REFERENCE, PRINCIPAL FOCUS AND MEDIUM OF REPORTING

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

COMMITTEE COMPOSITION, MEETINGS HELD AND ATTENDANCE

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

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

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

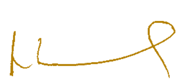
The Chairman of the Audit Committee is a Fellow of the Institute of Chartered Accountants of Sri Lanka. All non-executive directors satisfy the criteria for independence as specified in the standards on Corporate Governance for listed Companies issued by the Securities and Exchange Commission of Sri Lanka. The Audit committee reports directly to the Board. The individual and collective financial and hotel industry specific knowledge, business experience and the independence of members are brought to bear on all matters, which fall within the committee's purview. The Managing Director, Director/General Manger & Chief Financial Officer attend audit meetings by invitation. Outsourced Internal Auditors (BDO partners) are required to attend meetings on a regular basis. The committee met four times in connection with the financial year ended 31st March 2023.

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)	04/04

ACTIVITIES PERFORMED.

- Reviewed the activities and financial affairs of the Company and its Subsidiary (Hotel), and the financial reporting system adopted in the preparation of quarterly and annual financial statements to ensure reliability of the process, appropriateness and consistency of accounting policies and methods adopted and that they facilitate compliance with the requirements of Sri Lanka Accounting standards (LKAS, SLFRS), the Companies Act No 7 of 2007 and other relevant statutory and regulatory requirements.
- Met the outsourced Internal Auditors to consider their reports, management responses and matters requiring follow up on the effectiveness of internal financial controls that have been designed to provide reasonable but not absolute assurance to the Directors that assets are safeguarded and that the financial reporting system can be relied upon in the preparation and presentation of the financial statements.
- Met the external auditors to consider their report on interim audit carried out and discussed Audit Plan for the year ended 31st March 2023.
- Reviewed the quarterly and yearend financial statements and recommended their adoption to the Board.
- Reviewed the type and quantum of non-audit services provided by the external auditors to the Company to ensure that their independence as auditors has not been impaired.
- Reviewed the Company's compliance framework to determine that it provides reasonable assurance that all relevant laws, rules and regulations have been complied with.

The Audit Committee has recommended to the Board of Directors that Messrs Ernst & Young be re-appointed as Auditors for the Financial Year ending 31st March 2024, subject to the approval of the shareholders at the next Annual General Meeting.



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

26 May 2023

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 2022 to 31st March 2023 have been reviewed by the members of the RPTRC and the comments and observations of the Committee have been communicated to the Board of Directors of the Company. The approval of the shareholders has been obtained and announcements were made to the Colombo Stock Exchange where applicable.

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

26 May 2023
Colombo

Financial Report

Independent Auditor's Report

Building a better working world

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TO THE SHAREHOLDERS OF THE FORTRESS RESORTS PLC

Report on the audit of the financial statements

Opinion

We have audited the financial statements of The Fortress Resorts PLC ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group"), which comprise the statement of financial position as at 31 March 2023, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at 31 March 2023, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for opinion

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

Key audit matters

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

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

Key audit matter	How our audit addressed the key audit matter
Investments in short term deposits The Group invested an amount of Rs. 218,374,572/- (2022-Rs. 460,378,919/-) in short term deposits of two related party registered finance companies from which Group earned interest income of Rs. 37,100,990/- (2022-Rs. 30,653,397/-) for the year as disclosed in Note 25.3. This was a key audit matter due to; • The materiality of the short-term deposits which represents 12% of total assets • Inherent risk associated with related party transactions and disclosures including probable effects of current economic conditions on liquidity needs of the Group	Our procedures included the following, among others: • We evaluated the appropriateness of management's process for identifying and recording related party transactions • We inspected fixed deposit certificates and confirmations to understand the nature, terms and conditions of the transactions. • We corroborated the management's plan for reinvestment and upliftment of short-term deposits upon maturities by tracing to cashflow forecasts/requirements and credit ratings of the respective finance companies. • We assessed the adequacy of the related disclosures given in note 25.3 to the financial statements.

Building a better working world

OTHER INFORMATION INCLUDED IN THE 2023 ANNUAL REPORT

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

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

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

RESPONSIBILITIES OF THE MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls of the Company and the Group.

Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures

are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

Ernst & Young

16 May 2023
Colombo

Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 March	Note	Group 2023 Rs.	Group 2022 Rs.	Company 2023 Rs.	Company 2022 Rs.
Revenue	4	**434,696,289**	349,167,218	**-**	-
Cost of sales		**(170,081,640)**	(109,416,338)	**-**	-
Gross profit		**264,614,649**	239,750,880	**-**	-
Other income and gains	5	**6,777,345**	23,826,747	**-**	-
Advertising and marketing expenses		**(26,439,944)**	(12,920,205)	**-**	-
Administrative expenses		**(319,792,487)**	(243,821,570)	**(4,367,054)**	(3,943,762)
Finance cost	6.1	**(7,823,805)**	(11,735,673)	**-**	-
Finance income	6.2	**81,983,967**	32,183,360	**-**	-
Profit/(loss) before tax	7	**(680,276)**	27,283,539	**(4,367,054)**	(3,943,762)
Income tax (expenses)/reversal	8	**(19,161,972)**	5,765,261	**-**	-
Profit/(loss) for the year		**(19,842,248)**	33,048,800	**(4,367,054)**	(3,943,762)
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	**461,257**	(1,350,443)	**-**	-
Income tax effect		**(138,377)**	189,062	**-**	-
Net other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods		**322,880**	(1,161,381)	**-**	-
Other comprehensive income for the year, net of tax		**322,880**	(1,161,381)	**-**	-
Total comprehensive income/(loss) for the year, net of tax		**(19,519,368)**	31,887,420	**(4,367,054)**	(3,943,762)
Profit/(loss) and total comprehensive income/(loss) attributable to:					
Entire profit/(loss) and total comprehensive income/(Loss) attributable to the equity holders of the parent					
Basic/diluted earnings/(loss) per share	9	**(0.18)**	0.30	**(0.04)**	(0.04)

The accounting policies and notes on pages 70 to 99 form an integral part of these financial statements.

Statement of Financial Position

As at 31 March	Note	Group 2023 Rs.	Group 2022 Rs.	Company 2023 Rs.	Company 2022 Rs.
ASSETS					
Non-Current Assets					
Property, plant and equipment	10	**1,157,962,880**	1,206,227,320	**-**	-
Right of use assets	11	**41,355,441**	43,268,347	**-**	-
Investments in subsidiary	12	**-**	-	**1,000,009,990**	1,000,009,990
Intangible assets	13	**1,392,274**	1,694,673	**-**	-
		1,200,710,595	1,251,190,340	**1,000,009,990**	1,000,009,990
Current Assets					
Inventories	15	**25,926,019**	19,806,282	**-**	-
Trade and other receivables	16	**24,168,876**	47,470,332	**92,776,564**	97,019,225
Advances and prepayments		**37,537,096**	30,162,670	**-**	-
Short term deposits	17	**523,579,205**	525,768,100	**-**	-
Cash and cash equivalents	18	**14,708,666**	44,868,778	**43,644**	44,244
		625,919,862	668,076,162	**92,820,208**	97,063,469
Total Assets		**1,826,630,457**	1,919,266,502	**1,092,830,198**	1,097,073,459
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)		**500,277,541**	519,796,909	**(18,043,863)**	(13,676,809)
Equity attributable to equity holders of the parent		**1,609,144,381**	1,628,663,749	**1,090,822,977**	1,095,190,031
Non controlling interest		**1,000**	1,000	**-**	-
Total Equity		**1,609,145,381**	1,628,664,749	**1,090,822,977**	1,095,190,031
Non-Current Liabilities					
Interest bearing loans and borrowings	14	**57,254,879**	93,163,650	**-**	-
Retirement benefit obligation	20	**19,674,948**	19,107,604	**-**	-
Deferred tax liability	8.4	**7,782,457**	8,821,086	**-**	-
		84,712,284	121,092,340	**-**	-
Current Liabilities					
Trade and other payables	21	**74,575,482**	58,755,087	**2,007,221**	1,883,428
Contract liabilities	22	**39,056,181**	59,508,338	**-**	-
Interest bearing loans and borrowings	14	**12,193,459**	47,796,839	**-**	-
Income tax payables		**6,947,670**	3,449,149	**-**	-
		132,772,792	169,509,413	**2,007,221**	1,883,428
Total Equity and Liabilities		**1,826,630,457**	1,919,266,502	**1,092,830,198**	1,097,073,459

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 70 to 99 form an integral part of these financial statements.

16 May 2023
Colombo

Statement of Changes in Equity

Year ended 31 March 2023	Attributable to the equity holders of the parent		Non	Total
	Stated	Accumulated	Controlling	
	Capital	Profit	Interest	
Group	Rs.	Rs.	Rs.	Rs.
Balance as at 01 April 2021	1,108,866,840	487,909,489	1,000	1,596,777,329
Profit for the year	-	33,048,800	-	33,048,800
Other comprehensive loss for the year, net of tax	-	(1,161,381)	-	(1,161,381)
Balance as at 31 March 2022	1,108,866,840	519,796,909	1,000	1,628,664,749
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**

Year ended 31 March 2023	Stated	Accumulated	
	Capital	Losses	Total
Company	Rs.	Rs.	Rs.
Balance as at 01 April 2021	1,108,866,840	(9,733,047)	1,099,133,793
Loss for the year	-	(3,943,762)	(3,943,762)
Balance as at 31 March 2022	1,108,866,840	(13,676,809)	1,095,190,031
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**

The accounting policies and notes on pages 70 to 99 form an integral part of these financial statements.

Statement of Cash Flows

Year ended 31 March	Note	Group 2023 Rs.	Group 2022 Rs.	Company 2023 Rs.	Company 2022 Rs.
Cash Flows from/(used in) Operating Activities					
Profit/(loss) before Tax		**(680,276)**	27,283,539	**(4,367,054)**	(3,943,762)
Adjustments for:					
Depreciation		**63,490,414**	71,596,809	**-**	-
Amortization of intangible assets	13	**1,085,733**	1,197,836	**-**	-
Depriciation of Right of Use assets	11	**1,912,906**	4,676,236	**-**	-
Finance Cost	6.1	**7,823,805**	11,735,673	**-**	-
Finance Income	6.2	**(81,983,967)**	(32,183,360)	**-**	-
Profit on Disposal of Property, Plant and Equipment		**1,462,255**	(83,239)	**-**	-
Provision for Defined Benefit Obligation	20	**3,694,856**	3,276,658	**-**	-
Remeasurement of ROU Assets and Lease liabilities		**-**	191,054	**-**	-
Exchange gains		**-**	(9,036,558)	**-**	-
Operating Profit/(Loss) before Working Capital Changes		**(3,194,275)**	78,654,648	**(4,367,054)**	(3,943,762)
(Increase)/Decrease in Inventories		**(6,119,736)**	(1,476,310)	**-**	-
(Increase)/Decrease in Trade and Other Receivables and Prepayments		**15,927,030**	(33,085,520)	**4,242,661**	4,072,962
Increase/(Decrease) in Trade and Other Payables and Contract Liabilities		**(4,631,762)**	48,115,871	**123,793**	(111,001)
Cash Generated from/(used in) Operations		**1,981,257**	92,208,689	**(600)**	18,199
Finance Cost paid		**(851,500)**	(8,065,873)	**-**	-
Defined Benefit Obligation paid	20	**(2,666,255)**	(3,111,452)	**-**	-
Income Tax paid		**(16,840,457)**	(14,166,239)	**-**	-
Net Cash from/(used in) Operating Activities		**(18,376,956)**	66,865,124	**(600)**	18,199
Cash Flows from/(used in) Investing Activities					
Proceeds from Disposal of Property Pant and Equipment		**178,826**	1,790,687	**-**	-
Acquisition of Property, Plant and Equipment	10.4	**(16,867,055)**	(11,432,150)	**-**	-
Acquisition of Intangible Assets	13	**(783,333)**	-	**-**	-
Investment in treasury bills		**(204,830,022)**	-		
Investment in Fixed deposits		**(334,254,398)**	(132,177,500)	**-**	-
Withdrawal of Fixed Deposits		**579,113,070**	231,000,000		
Finance Income Received		**44,144,212**	56,385,675	**-**	-
Net Cash from/(used in) Investing Activities		**66,701,299**	145,566,712	**-**	-
Cash Flows from/(used in) Financing Activities					
Repayment of Bank loans	14.1.1	**(82,705,047)**	(162,613,665)	**-**	-
Principal Payments under lease liabilities		**(3,620,014)**	(5,642,672)	**-**	-
Net Cash from/(used in) Financing Activities		**(86,325,061)**	(168,256,337)	**-**	-
Net Increase/(Decrease) in Cash and Cash Equivalents		**(38,000,717)**	44,175,500	**(600)**	18,199
Cash and Cash Equivalents at the beginning of the year		**44,868,778**	693,278	**44,244**	26,045
Cash and Cash Equivalents at the end of the year	18	**6,868,061**	44,868,778	**43,644**	44,244

The accounting policies and notes on pages 70 to 99 form an integral part of these financial statements.

Notes to the Financial Statements

1. CORPORATE INFORMATION

The Fortress Resorts PLC ("the Company") is a public limited liability Company incorporated and domiciled in Sri Lanka. The ordinary shares of the Company are listed on the Colombo Stock Exchange of Sri Lanka. The registered office of the Company is located at Level 29, West Tower, World Trade Center, Colombo - 01 and the principal place of business is situated at Koggala, Sri Lanka.

The Company has invested and managing the subsidiaries listed in note 2.2.1 to the financial statements. There are no any other operations were carried out by the Company during the year.

The consolidated financial statements of The Fortress Resorts PLC and its subsidiaries (collectively, the Group) for the year ended 31 March 2023 were authorized for issue in accordance with a resolution of the directors on 16th May 2023..

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 2023. 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	2023	2022	Nature of the Operations
Direct holding La Forteresse (Private) Limited	100%	100%	Operation of Small Luxury Hotel
Indirect holding Summer Season Mirissa (Pvt) Ltd	99.99%	99.99%	Operations not yet commenced

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

2.3 Summary of Significant Accounting Policies

2.3.1 Current versus non-current classification

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

- Expected to be realised or intended to sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period

Or

- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

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

Or

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

The Group classifies all other liabilities as non-current.

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

2.3.2 Fair value measurement

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

- In the principal market for the asset or liability

Or

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

The principal or the most advantageous market must be accessible by the Group. As at reporting date, there is no assets or liabilities carried at fair value.

2.3.3 Revenue recognition

Revenue from contracts with customers

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

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

Room revenue

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

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 (Pvt) Ltd

The profits and income of the Company arising on promotion of tourism is liable for taxation at the rate of 14% (interest income at 24%) up to 30 September 2022 and 30% (interest income 30%) thereafter 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 Lanka Rupees (Rs), which is the functional and presentation currency of the Group.

i) Transactions and balances

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

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

All exchange differences are taken to the statement of profit or loss.

2.3.6 Property, Plant and Equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met.

When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the statement of profit or loss as incurred.

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

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

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

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

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

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

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

Land rights – 40-50 Years
Motor vehicles – 5 Years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the 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 amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

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

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

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

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

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

Subsequent measurement

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

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

Financial assets at amortised cost (debt instruments)

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

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

and

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

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

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

De-recognition

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

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

or

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

Impairment of financial assets

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

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

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

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

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

ii) Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

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

Financial Liabilities at Amortized Cost

Loans and borrowings

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are de-recognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

De-recognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

2.3.11 Inventories

Inventories are measured at the lower of cost and net realisable value. The cost formulas applied by the Group are as follows;

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

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized 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 2023 was undertaken by Actuarial and Management Consultants (Pvt) Ltd, a firm of professional actuaries. The result of such valuation was incorporated in these Financial Statements.

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

Interest Cost are recognized in the statement of profit or loss.

Further, this liability is not externally funded.

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

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

2.3.16 Cash Dividends

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

2.3.17 Government grants

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

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

2.4 New and Amended Standards and Interpretations

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

Amendments to LKAS 8 - Definition of Accounting Estimates

The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates. The amended standard clarifies that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted.

Amendments to LKAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognised in the financial statements (and interest expense) or to the related asset component (and interest expense). This judgement is important in determining whether any temporary differences exist on initial recognition of the asset and liability.

Also, under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a lease asset and lease liability (or decommissioning liability and decommissioning asset component) give rise to taxable and deductible temporary differences that are not equal.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023.

Amendments to LKAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies

Amendments to LKAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures.The amendments aim to help entities provide accounting policy disclosures that are more useful by:

- Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies
- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

The amendments are effective for annual reporting periods beginning on or after 1 January 2023.

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

Amendments to LKAS 1 Presentation of Financial Statements specify the requirements for classifying liabilities as current or non--current. The amendments clarify-

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period

- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification Disclosures
- The amendments are effective for annual reporting periods beginning on or after 1 January 2023.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

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

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

Judgements, Estimates and assumptions

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

Taxes

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

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 analyzed. 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	
		2023	2022	2023	2022
		Rs.	Rs.	Rs.	Rs.
Revenue from contracts with customers	(Note 4.1)	**434,696,289**	349,167,218	-	-
		434,696,289	349,167,218	-	-

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	
	2023	2022	2023	2022
	Rs.	Rs.	Rs.	Rs.
Over a period or period of stay				
Room revenue	**246,198,340**	206,042,940	-	-
Rental income	**376,793**	420,000	-	-
At a point in time				
Food revenue	**128,522,954**	91,122,972	-	-
Beverage revenue	**35,039,069**	28,077,967	-	-
Spa revenue	**14,524,058**	12,777,270	-	-
Laundry income	**943,655**	2,308,275	-	-
Transport income	**2,124,381**	3,545,613	-	-
Excursions income	**2,849,295**	2,397,134	-	-
Wedding income	**-**	36,364	-	-
Income from other hotel operations	**4,117,743**	2,438,681	-	-
	434,696,289	349,167,218	-	-

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

5 OTHER INCOME AND GAINS

	Group	
	2023	2022
	Rs.	Rs.
Profit on disposal of property, plant and equipment	**-**	83,239
Exchange gains	**6,777,345**	23,743,508
	6,777,345	23,826,747

6 FINANCE COST AND INCOME

6.1 Finance Cost

		Group	
		2023 Rs.	2022 Rs.
Interest expense on bank overdrafts		42,700	99,512
Finance charges on lease liabilities	(Note 11.3)	6,966,309	6,969,442
Interest expense on bank loans net of interest subsidy	(Note 14.1.1)	814,796	4,666,719
		7,823,805	11,735,673

6.2 Finance Income

	Group 2023 Rs.	Group 2022 Rs.
Interest Income	81,983,967	32,183,360
	81,983,967	32,183,360

7 PROFIT/(LOSS) BEFORE TAX

	Group		Company	
Stated after Charging	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Included in Cost of Sales				
Employees Benefits including the following	75,933,501	30,142,362	-	-
- Defined Benefit Plan Cost - Gratuity (included in Employee Benefits)	592,205	760,045	-	-
- Defined Contribution Plan Cost - EPF and ETF (included in Employee Benefits)	7,176,561	4,204,956	-	-
Depreciation	654,500	1,236,749	-	-
Raw Materials and Consumables used	30,234,222	18,072,999	-	-
Included in Administrative Expense				
Employees Benefits including the following	103,561,042	72,292,869	-	-
- Defined Benefit Plan Cost - Gratuity (included in Employee Benefits)	3,102,650	2,516,613	-	-
- Defined Contribution Plan Cost - EPF and ETF (included in Employee Benefits)	7,418,768	7,360,544	-	-
Depreciation	62,835,914	70,360,060	-	-
Amortization of Intangible Assets	1,085,733	1,197,836	-	-
Audit Fees	660,000	710,000	120,000	110,000
Depriciation of ROU Assets	1,912,906	4,676,236	-	-
Maintenance Expenses	33,301,140	15,784,291	-	-
Electricity	38,814,023	24,932,204	-	-
TDL and Pradeshiya Sabba Tax	10,863,385	6,985,009	-	-
Included in Advertising and Marketing Expenses			-	-
Advertising	13,598,780	6,047,337	-	-
Sales Promotion Expenses	7,916,654	2,417,040	-	-

8 INCOME TAX EXPENSE

The major components of income tax expense for the years ended 31 March 2023 and 2022 are:

Statement of Profit or Loss		Group 2023 Rs.	Group 2022 Rs.	Company 2023 Rs.	Company 2022 Rs.
Current Income Tax					
Current Income Tax Charge	(Note 8.1)	**20,338,979**	7,625,095	**-**	-
Adjustments in respect of current income tax of previous year		**-**	(6,596)	**-**	-
		20,338,979	7,618,499	**-**	-
Deferred Tax					
Relating to origination and reversal of temporary differences	(Note 8.4)	**(1,820,588)**	(13,383,760)	**-**	-
Charge due to change in tax rates		**643,582**	-	**-**	-
Income tax expense/(reversal) reported in the Statement of Profit or Loss		**19,161,972**	(5,765,261)	**-**	-
Deferred tax related to items recognized in OCI during in the year:					
On actuarial gain or loss		**151,882**	(189,062)	**-**	-
Reversal due to change in tax rates		**(13,504)**	-	**-**	-
Deferred tax charged to OCI		**138,377**	(189,062)	**-**	-

8.1 Taxable profit or loss form the business is as follows; Taxable Profit/(Loss) from Business

	Group 2023 Rs.	Group 2022 Rs.	Company 2023 Rs.	Company 2022 Rs.
Loss from the business	**(34,293,075)**	-	**(4,367,054)**	(3,943,762)
Investment Income	**81,983,967**	31,771,229	**-**	-
Exempted Income	**(6,654,416)**	-	**-**	-
Taxable profit/(loss)	**75,329,551**	31,771,229	**(4,367,054)**	(3,943,762)
Income Tax on interest income @ 24%	**9,039,546**	7,625,095	**-**	-
Income Tax on interest income @ 30%	**11,299,433**	-	**-**	-
Current Income Tax Charge	**20,338,979**	7,625,095	**-**	-

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

	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Profit before income tax expenses	(680,276)	27,283,539	(4,367,054)	(3,943,762)
Tax at statutory income tax rate of 24%	9,039,546	7,625,095	-	-
Tax at statutory income tax rate of 30%	11,299,433	-	-	-
Income exempted from tax including exchange gains	(6,654,416)	(2,058,973)	-	-
Unrealised exchange gains	-	(1,265,118)	-	-
Other allowable/disallowable items for tax purpose	51,251,110	206,100	-	-
Adjustments in respect of current income tax of previous years	-	(6,596)	-	-
Deferred tax effect on business losses	(45,773,700)	(10,265,769)	-	-
Income tax expense/(reversal) reported in the Statement of Profit or Loss	(19,161,972)	(5,765,261)	-	-

8.3 Tax Losses Utilised

	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Tax Losses Brought Forward	325,808,594	348,609,567	80,483,858	76,540,096
Adjustments	(8,186,881)	-	-	-
Loss Incurred during the year	34,293,075	3,943,762	4,367,054	3,943,762
Setoff with taxable profits during the year	-	(26,744,735)	-	-
Tax Losses Carried Forward	351,914,789	325,808,594	84,850,912	80,483,858

Income Tax of La Forteresse (Private) Limited

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

8.4 Deferred Tax - Group

	Statement of Financial Position		Statement of Profit or Loss	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Deferred Tax Liability				
Capital Allowances for Tax purpose	97,336,791	48,133,665	49,203,126	(4,892,654)
	97,336,791	48,133,665	49,203,126	(4,892,654)
Deferred Tax Assets				
Retirement Benefit Obligation - Through Income Statement	(6,040,861)	(2,652,404)	(3,365,797)	(23,129)
Retirement Benefit Obligation - Through Other Comprehensive Income	138,377	(22,661)	-	-
ROU Assets and Related Lease Liabilities	(1,577,760)	(537,983)	(1,039,778)	(192,403)
Tax losses	(80,119,163)	(34,345,463)	(45,773,700)	(6,521,506)
Unrealised exchange gains	-	(1,265,118)	1,265,118	(1,265,118)
Provisions	(1,954,927)	(488,951)	(1,465,976)	(488,951)
	(89,554,335)	(39,312,579)	(50,380,133)	(8,491,106)
Deferred Taxation Charge/(Reversal)			(1,177,006)	(13,383,760)
Net Deferred Tax Liability	7,782,457	8,821,086		

8.4.1 Reconciliation of Deferred Tax Charge/(Reversal)

	Statement of Profit or Loss	
	2023	2022
	Rs.	Rs.
Deferred Tax Charge reported in the Statement of Profit or Loss	**(1,177,006)**	(13,383,760)
Deferred Tax Charge reported in Other Comprehensive Income	**138,377**	(189,062)
	(1,038,629)	(13,572,822)

8.5 The Group has a tax loss amounting to Rs. 351,914,789/- (2022 - Rs. 325,808,594/-) which is available for offsetting against future taxable income of the Company until 6 years form the incurred year of assessment. A deferred tax asset amounting to Rs. 25,455,283/- arised from tax loss of Rs. 84,850,912/- (2022 - Rs. 11,267,740) 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 realize in the foreseeable future

9 BASIC/DILUTED EARNINGS PER SHARE

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

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

	Group		Company	
	2023	2022	2023	2022
	Rs.	Rs.	Rs.	Rs.
Amounts used as the Numerator				
Profit/(loss) attributable to ordinary shareholders for basic earnings/(loss) per share	**(19,842,248)**	33,048,800	**(4,367,054)**	(3,943,762)
Number of Ordinary Shares Used as the Denominator				
Weighted average number of ordinary shares applicable to basic earnings per share	**110,886,684**	110,886,684	**110,886,684**	110,886,684
Earnings/(loss) per share (Rs.)	**(0.18)**	0.30	**(0.04)**	(0.04)

10 PROPERTY, PLANT AND EQUIPMENT - GROUP

10.1 Gross Carrying Amounts

	Balance As at 01.04.2022 Rs.	Additions Rs.	Disposals Rs.	Balance As at 31.03.2023 Rs.
At Cost				
Land	359,721,000	-	-	359,721,000
Buildings on Leasehold Land - Hotel	955,378,187	6,770,550	-	962,148,737
- Administration	69,565,384	-	-	69,565,384
Plant and Other Equipment	19,901,249	-	-	19,901,249
Furniture and Fittings	196,639,261	486,780	-	197,126,041
Fixtures and Fittings	98,578,175	1,116,229	-	99,694,404
Computer Equipment	31,540,012	966,980	(198,764)	32,308,228
Telephone Equipments	3,352,099	18,970	(1,323,432)	2,047,637
Kitchen Equipments	56,167,651	1,272,000	(120,296)	57,319,355
Electrical Equipments	159,000,282	933,000	(5,606,935)	154,326,347
Linen and Furnishing	13,350,799	2,849,645	(2,028,645)	14,171,799
Cutlery and Crockery	1,436,748	773,103	(147,419)	2,062,433
Other Equipments	20,030,595	1,153,037	(1,979,874)	19,203,758
Air conditioners	14,289,011	526,760	(93,024)	14,722,747
Motor Vehicles	70,413,783	-	-	70,413,783
Total Gross Carrying Amount	2,069,364,234	16,867,055	(11,498,387)	2,074,732,901

10.2 Depreciation

	Balance As at 01.04.2022 Rs.	Charge for the year Rs.	Disposals Rs.	Balance As at 31.03.2023 Rs.
At Cost				
Buildings on Leasehold Land - Hotel	301,124,247	28,658,707	-	329,782,954
- Administration	18,802,826	2,112,913	-	20,915,739
Plant and Equipments	18,154,115	336,254	-	18,490,370
Furniture and Fittings	142,897,867	10,650,532	-	153,548,399
Fixtures and Fittings	61,346,297	6,384,273	-	67,730,570
Computer Equipments	28,238,004	1,424,216	(196,421)	29,465,799
Telephone Equipments	3,131,608	97,506	(1,321,826)	1,907,289
Kitchen Equipments	55,727,623	580,398	(120,296)	56,187,725
Electrical Equipments	126,006,747	7,714,607	(4,015,895)	129,705,459
Linen and Furnishing	10,678,155	1,550,670	(2,004,531)	10,224,294
Cutlery and Crockery	1,436,748	74,298	(125,249)	1,385,797
Other Equipments	15,584,237	1,512,597	(1,979,874)	15,116,961
Air conditioners	12,283,166	351,413	(93,024)	12,541,555
Motor Vehicles	67,725,078	2,042,029	-	69,767,107
Total Depreciation	863,136,720	63,490,414	(9,857,116)	916,770,019

10.3 Net Book Values

	2023 Rs.	2022 Rs.
At Cost		
Land	359,721,000	359,721,000
Buildings on Leasehold Land - Hotel	632,365,782	654,253,939
- Administration	48,649,645	50,762,558
Plant and Equipment	1,410,879	1,747,134
Furniture and Fittings	43,577,642	53,741,393
Fixtures and Fittings	31,963,834	37,231,877
Computer Equipment	2,842,429	3,302,008
Telephone Equipment	140,348	220,490
Kitchen Equipment	1,131,630	440,028
Electrical Equipments	24,620,888	32,993,535
Linen and Furnishing	3,947,505	2,672,450
Cutlery and Crockery	676,633	-
Other Equipments	4,086,797	4,446,357
Air conditioners	2,181,192	2,005,845
Motor Vehicles	646,676	2,688,705
Total Carrying Amount of Property, Plant and Equipment	1,157,962,880	1,206,227,320

10.4 During the financial year, the Group acquired property, plant and equipment to the aggregate value of Rs. 16,867,055/- (2022 - Rs. 11,432,150/-). Cash payments amounting to Rs. 16,867,055/- (2022 - 11,432,150/-) were made during the year for purchase of Property, Plant and Equipment.

11 RIGHT OF USE ASSETS-GROUP/COMPANY

		2023 Rs.	2022 Rs.
Leasehold Lands	(Note 11.2)	41,355,441	43,268,347
		41,355,441	43,268,347

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

	Lessor	No of Buildings	Lease Term	Annual Rental 2023 Rs.	Annual Rental 2022 Rs.
Leasehold lands					
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
Other Assets					
Motor Vehicles	Bank of Ceylon		2017 - 2021	**-**	5,946,020
Total lease rentals				**3,518,217**	9,464,237

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	43,268,347	43,268,347
Depreciation expenses	(1,912,906)	(1,912,906)
As at 31 March 2023	41,355,441	41,355,441

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

	2023 Rs.	2022 Rs.
Depreciation expense of right-of-use assets	**1,912,906**	4,676,236
Interest expense on lease liabilities	**6,966,309**	6,969,442
Total amount recognised in profit or loss	**8,879,215**	11,645,678

The Group had total cash outflows for leases of Rs. 3,620,014/- during the year (2022 - Rs. 10,271,376/-). The future cash outflows relating to leases that have not yet commenced are disclosed in Note 24.4.

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

There are no variable lease payments.

12. INVESTMENT IN SUBSIDIARY - COMPANY

Non-Quoted Investments	Holding 2023 %	Holding 2022 %	Cost 2023 Rs.	Cost 2022 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 01.04.2022 Rs.	Additions Rs.	Disposals Rs.	Balance As at 31.03.2023 Rs.
Computer Software	16,254,430	783,333	-	17,037,764
	16,254,430	783,333	-	17,037,764
13.2 Amortization				
Computer Software	14,559,757	1,085,733	-	15,645,490
	14,559,757	1,085,733	-	15,645,490

13.3 Net Book Values

	2023 Rs.	2022 Rs.
Computer Software	1,392,274	1,694,673

13.4 Computer Software are amortised over 05 years

14 FINANCIAL LIABILITIES

14.1 Interest Bearing Loans and Borrowings

		Group	
		2023 Rs.	2022 Rs.
Current Interest Bearing Loans and Borrowings			
Bank Loans	(Note 14.1.1.)	-	45,274,915
Bank Overdrafts	(Note 18)	7,840,605	-
Lease Liabilities	(Note 14.1.2)	4,352,854	2,521,924
Total Current Interest Bearing Loans and Borrowings		12,193,459	47,796,839
Non Current Interest Bearing Loans and Borrowings			
Bank Loans	(Note 14.1.1)	-	37,430,132
Lease Liabilities	(Note 14.1.2)	57,254,879	55,733,519
Total Non Current Interest Bearing Loans and Borrowings		57,254,879	93,163,650

14.1.1 Bank Loans

Bank of Ceylon (BOC) - Working capital loans	2023 Rs.	2022 Rs.
Opening Balance	82,705,047	225,643,445
Recognition/Remeasurement of government grant	-	3,289,714
Interest accrued during the year	-	19,723,211
Interest payments	-	(3,337,658)
Capital repayments	(82,705,047)	(162,613,665)
	-	82,705,047
Current	-	45,274,915
Non-Current	-	37,430,132
	-	82,705,047

Interest expense

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

	2023 Rs.	2022 Rs.
Interest on working capital loan	814,796	19,723,211
Setoff with Government grant	-	(15,056,492)
Net interest cost recognised in the statement of profit or loss	814,796	4,666,719

14.1.2 Lease Liabilities

	Lands Rs.	Total Rs.
As at 01 April 2022	58,255,442	58,255,442
Interest Accrued on Lease Liabilities	3,346,295	3,346,295
As at 31 March 2023	**61,601,737**	**61,601,737**
Lease Payments		
Gross Payments	(3,620,014)	(3,620,014)
Interest expense recognised as finance expense	6,966,309	6,966,309
Capital Payments	3,346,295	3,346,295
Current	4,352,854	4,352,854
Non-Current	57,254,879	57,254,879

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

	2023 Rs.	2022 Rs.
Food and Beverages	8,277,453	5,335,943
House Keeping and Maintenance	6,709,464	9,063,137
Stationary, Consumables and Others	10,939,102	5,407,202
	25,926,019	19,806,282

16 TRADE AND OTHER RECEIVABLES - GROUP

		Group		Company	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Trade Receivables		18,203,022	30,443,340	-	-
Other Receivables - Related Parties	(Note 16.1)	-	-	92,776,564	97,019,225
Other Receivables - Other		5,965,853	17,026,992	-	-
		24,168,876	47,470,332	92,776,564	97,019,225

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

	Total	Neither past due or nor Impaired	Past due but not impaired					
			< 30 days	31 - 60 days	61 - 90 days	91 - 120 days	121 - 180 days	> 180 days
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
2023	18,203,022	14,524,655	-	3,368,451	260,915	-	49,000	-
2022	30,443,340	26,669,730	2,982,651	790,959	-	-	-	-

Provision Matrix and Impairment of Debtors

- Management has carried out an impairment provision based on the simplified approach of ECL method and no any impairment provision has been accounted for trade debtors as the ECL is insignificant. Management considered 100% ECL for debtors aged more than 180 days in determining the provision matrix for ECL.
- The Group has considered the historical payment patterns in assessing the provision matrix and the Group do not have significant delays in receiving the payments and all the receivables are from reputed customers. Provision based on ECL method is immaterial to the consolidated financial statements.
- Refer Note 27 on credit risk of Trade Receivables, which discuss how the Group measure credit quality of Trade Receivables that are neither past due nor impairment.

16.1 Other Receivables - Related Parties

Company	Relationship	2023 Rs.	2022 Rs.
La Forteresse (Private) Limited	Subsidiary Company	92,776,564	97,019,225

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

17 SHORT TERM DEPOSITS - GROUP

		2023 Rs.	2022 Rs.
Investments in Fixed Deposits	(Note 17.1)	283,570,142	525,768,100
Investments in treasury bills		240,009,063	-
		523,579,205	525,768,100

17.1 Investment in fixed deposits at amortised cost

	2023 Rs.	2022 Rs.
LB Finance PLC	126,405,534	325,584,214
Vallible Finance PLC	91,969,027	134,794,705
Bank of Ceylon	65,195,580	65,389,181
	283,570,142	525,768,100

The Central Bank of Sri Lanka adopted a tightening monetary policy stance during the latter half of the financial year, resulting in an upward trend in interest rates. Group has placed majority of deposits for 1 or 12 Months period and accordingly, Group has reinvested those deposits at revised interest rates during the latter part of the year and subsequent to the reporting date.

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	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Favorable Cash and Cash Equivalent Balances				
Cash and Bank Balances	14,708,666	44,868,778	43,644	44,244
	14,708,666	44,868,778	43,644	44,244
Unfavorable Cash and Cash Equivalent Balances				
Bank Overdraft	(7,840,605)	-	-	-
Total Cash and Cash Equivalents for the Purpose Statement of Cash Flows	-	-	-	-
	6,868,061	44,868,778	43,644	44,244

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

19 STATED CAPITAL - COMPANY/ GROUP

	2023		2022	
	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

	2023 Rs.	2022 Rs.
Defined Benefit Obligation - Gratuity		
Balance at 1 April	19,107,604	17,591,955
Current Service Cost	1,593,020	2,045,221
Interest Cost	2,101,836	1,231,437
Actuarial (Gain)/Loss	(461,257)	1,350,443
Benefits paid	(2,666,255)	(3,111,452)
Balance at 31 March	19,674,948	19,107,604
The expenses are recognised in the following line items in the statement of profit and loss and other comprehensive income		
Cost of Sales	592,206	760,045
Administrative Expenses	3,102,650	2,516,613
Other Comprehensive Income	(461,257)	1,350,443
	3,233,599	4,627,101

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

20.2 The principle assumptions used were as follows,

	2023	2022
Discount Rate	19%	11%
Future Salary Increment Rate	10%	3%

20.3 Sensitivity of the principal assumptions used

	Expected Future Salaries		Discount Rate	
	1% increase Rs.	1% decrease Rs.	1% increase Rs.	1% decrease Rs.
2023				
Change in Present value of Defined Benefit Obligation	851,938	(803,138)	(664,577)	713,182
2022				
Change in Present value of Defined Benefit Obligation	1,204,313	(1,105,376)	(948,073)	1,044,039

20.4 The average duration of the defined benefit plan obligation at the end of the reporting period is 6 years (2022- 9 Years).

21 TRADE AND OTHER PAYABLES

	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2021 Rs.
Trade Creditors	**27,952,595**	18,426,914	**-**	-
Other Payables	**42,066,217**	34,883,362	**-**	-
Accrued Expenses	**4,556,670**	5,444,811	**2,007,221**	1,883,428
	74,575,482	58,755,087	**2,007,221**	1,883,428

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	
	2023 Rs.	2022 Rs.
Advances received for future bookings	**39,056,181**	59,508,338
Opening Balance	**59,508,338**	25,913,772
Advance received during the year	**243,272,231**	224,626,308
Refunds due to cancellation of bookings	**(18,156,353)**	(19,225,505)
Setoff against the receivables	**(245,568,035)**	(171,806,237)
Closing Balance	**39,056,181**	59,508,338

23 GOVERNMENT GRANTS

	Group	
	2023 Rs.	2022 Rs.
Opening balance	**-**	18,346,206
Setoff against interest expenses during the year	**-**	(15,056,492)
Reameasurements	**-**	(3,289,714)
Closing balance	**-**	-

24 COMMITMENTS AND CONTINGENCIES

24.1 Capital Expenditure Commitments

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

24.2 Contingent Liabilities

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

24.3 Lease commitments-Group as lessee

Land Lease

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

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

	2023		2022	
	Minimum payments Rs.	Present value of payment (Note 14.1.2) Rs.	Minimum payments Rs.	Present value of payments (Note 14.1.2) Rs.
Within one year	4,712,563	2,888,286	4,305,675	2,961,020
After one year but not more than five years	23,269,334	10,502,728	26,711,079	7,330,642
More than five years	236,213,654	48,216,719	210,566,263	47,963,781
Total minimum lease payments	264,195,551	61,607,733	241,583,017	58,255,443
Less amounts representing finance charges	(202,587,818)	-	(183,327,574)	-
Present value of minimum lease payments	61,607,733	61,607,733	58,255,443	58,255,443

25 RELATED PARTY DISCLOSURES

Details of significant related party disclosures are as follows:

25.1 Transactions with the Parent and Related Entities

	Subsidiaries	
	2023 Rs.	2022 Rs.
As at 1 April	97,019,225	101,101,186
Recurring related party transactions		
Expenses Incurred on behalf of the Company	(4,242,661)	(4,081,961)
As at 31 March	92,776,564	97,019.225
Included in		
Trade and Other Receivables	92,776,564	97,019,225

Outstanding receivable balance is represents the final dividends receivable from the La Forteresse (Pvt) Ltd and which is non interest bearable and expected to settle within one year. All the transactions were carried out at arm's length basis on an agreed terms with respective parties.

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

25.2 Transactions with Key Management Personnel of the Company

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

25.2.1 Compensation to Key Management Personnel

Nature of transaction	2023 Rs.	2022 Rs.
Short Term Employment Benefits	6,702,572	10,627,680

25.3 Other Related Parties Disclosures

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

Recurring transactions Related Party	Nature	Terms	2023 Rs.	2022 Rs.
LB Finance PLC	Investment in Fixed Deposits	Market Terms	119,000,000	70,000,000
(Investments on 1 to 12 Months FDs as at Market Rate)				
	Withdrawal of Fixed Deposits	Market Terms	317,500,000	55,000,000
	Interest Income	Market Terms	22,236,822	20,107,172
	Balance as at 31 March		126,405,534	325,584,214
Vallible Finance PLC	Investment in Fixed Deposits	Market Terms	93,000,000	20,000,000
(Investments on 1 to 12 Months FDs at Market Rate)				
	Withdrawal of Fixed Deposits	Market Terms	138,000,000	176,000,000
	Interest Income	Market Terms	14,864,168	10,546,225
	Balance as at 31 March		91,969,038	134,794,705

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

26 EVENT 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.

27 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities comprise loans and borrowings and Trade and Other payables. The main purpose of these financial liabilities is to finance the Group's operations and to provide guarantees to support its operations. The Group has loan and other receivables, trade and other receivables, and cash and short-term deposits that arrive directly from its operations.

The Group is exposed to market risk, credit risk and liquidity risk. The Group's senior management oversees the management of these risks.

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

Market risk

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

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

The sensitivity analyses in the following sections relate to the position as at 31 March in 2023 and 2022.

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

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates are minimal as the Group has obtained the working capital loans under the specific relief packages.

Interest rate sensitivity

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

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

	Increase/ decrease in basis points	Effect on profit before tax
2023		
Interest Bearing Loans and Borrowings	**+/- 50**	**+/- 39,203**
2022		
Interest Bearing Loans and Borrowings	+/- 50	+/- 413,525

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

Foreign currency risk

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

Foreign currency sensitivity

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

	Change in GBP/ EURO rate	Effect on profit before tax	Effect on equity
2023	+/- 5%	+/- 338,867	+/- 237,207
2022	+/- 5%	+/- 1,187,175	+/- 1,020,971

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 transations with local individuals were done on cash basis.

The Group has considered the current economic conditions in evaluating the credit risk of trade receivables. The Management has monitored the effect of the prevailing conditions to its travel agents through frequent discussion with them and based on the financial strength and negotiated the payment terms and future arrangements accordingly. Dues from foreign travel agents and the dues are still within the credit period and those travel agents have agreed to release the payments on due dates

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

Liquidity risk

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

The Group has Rs. 523,579,205/- of short term deposits and Rs. 14,708,666/- of cash balance as at the reporting date which can used to settle liabilities maturing within 12 Months form the reporting date.

Excessive risk concentration

Concentrations arise as a number of Hotels are coming and engaged in tourism industry activities in the Group's geographical region and have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry.

In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines mitigate those risk factors. The Group has improve the marketing activities specially in different customer segments and geographical region to attract many more tourists from those regions. Significant part of the Group customer base was reflected form the foreign tourists and the Group now considering the promoting the Hotel to local customers as well.

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

	On demand Rs.	Less than 3 months Rs.	3 to 12 months Rs.	1 to 5 years Rs.	More than 5 Years Rs.	Total Rs.
Year ended 31 March 2023						
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
Year ended 31 March 2022						
Bank Loans	-	15,621,714	28,750,000	38,333,334	-	82,705,047
Lease Liabilities	-	1,074,592	3,231,083	26,711,079	210,566,263	241,583,017
Trade and other payables	-	18,426,914	40,328,173	-	-	58,755,087
	-	35,123,220	72,309,256	65,044,413	210,566,263	383,043,152

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.

		2023 Rs.	2022 Rs.
Interest-bearing loans and borrowings	(Note 14)	69,448,338	140,960,489
Trade and other payables	(Note 21)	74,575,482	58,755,087
Less: Cash and cash equivalents	(Note 18)	(14,708,666)	(44,868,778)
Net debt		129,315,154	154,846,798
Equity		1,609,145,381	1,628,664,749
Total capital		1,609,145,381	1,628,664,749
Capital and net debt		1,738,460,535	1,783,511,547
Gearing ratio		7%	9%

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2023 and 2022.

Ten Year Summary - Group

Year Ended 31 st March	2013/ 2014	2014/ 2015	2015/ 2016	2016/ 2017	2017/ 2018	2018/ 2019	2019/ 2020	2020/ 2021	2021/ 2022	2022/ 2023
(Figures in Rs. 000 unless otherwise stated)										
TRADING RESULTS										
Turnover (Gross)	650,526	686,977	672,479	625,422	663,750	787,787	489,320	74,666	349,167	**434,696**
Profit/(Loss) from operations	350,498	342,861	353,584	266,280	250,358	336,875	144,255	(85,816)	116,490	**73,633**
Depreciation and Amortisation	104,259	106,006	106,006	102,924	74,221	75,494	81,368	81,084	77,471	**66,489**
Interest	39,244	2,795	1,126	405	3,125	2,300	10,554	15,711	11,736	**7,824**
Profit/(Loss) before Tax	206,995	234,060	246,452	162,951	173,012	259,081	52,333	(182,611)	27,283	**(680)**
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	105,893	295,300	371,832	505,655	646,211	744,405	662,810	487,909	519,797	**500,277**
Other Reserves	-	-	-	-	-	-	-	-		
Shareholders' Funds/Net Assets	1,214,760	1,404,167	1,480,699	1,614,522	1,755,079	1,853,105	1,771,677	1,596,776	1,628,664	**1,609,145**
Long Term Loans/Deferred Liabilities	45,000	-	-	33,298	22,010	17,169	148,415	225,643	82,705	**-**
Capital Employed	1,259,760	1,404,167	1,480,699	1,647,820	1,777,089	1,870,274	1,920,092	1,822,419	1,711,369	**1,609,145**
ASSETS EMPLOYED										
Current Assets	287,758	487,051	666,594	431,189	583,071	716,951	781,680	711,869	668,076	**625,920**
Current Liabilities	137,295	88,955	110,753	107,756	130,498	137,998	180,777	240,877	169,509	**132,773**
Working Capital	150,463	398,096	555,841	323,433	452,573	578,953	600,903	470,992	498,567	**493,147**
Fixed Assets	1,109,437	1,047,266	972,276	1,360,689	1,375,574	1,347,190	1,379,315	1,318,989	1,251,190	**1,200,710**
Capital Employed	1,259,900	1,445,362	1,528,117	1,684,122	1,828,147	1,926,143	1,980,218	1,789,981	1,749,757	**1,693,857**
RATIO & STATISTICS										
Gearing (%)	4%	0%	0%	2%	1%	1%	13%	17%	9%	**7%**
Current Ratio (times)	2.10	5.48	6.02	4.00	4	4.47	4.32	2.96	3.94	**4.71**
Earnings Per Share (Rs.)	1.59	1.71	1.69	1.22	1.27	1.89	0.25	(1.58)	0.30	**(0.18)**
Net Assets Per Share (Rs.)	10.95	12.66	13.35	14.56	15.83	16.71	15.98	14.40	14.69	**14.51**
Return On Capital Employed (ROCE) %	16%	17%	16%	10%	8%	11%	1%	(10%)	2%	**(1%)**
Return On Equity (%)	17%	17%	17%	10%	8%	11%	2%	(11%)	2%	**(1%)**
Debt to Total Assets (%)	3%	-	-	2%	1%	1%	7%	13%	8%	**7%**
Interest Cover (times)	6	85	220	402	55	113	6	(11)	3	**1**
Earnings Before Interest & Tax (EBIT)(Rs.000')	246,239	236,855	247,578	163,356	176,137	261,381	62,887	(166,900)	39,019	**7,144**
Asset Turnover (%)	59%	66%	69%	46%	36%	41%	25%	4%	20%	**25%**

Group Value Added Statement

Direct economic value generated	2023 Rs. 000' s	2022 Rs. 000' s
Revenue (including other income)	**441,474**	372,994
Finance income	**81,984**	32,183
Proceeds from sale of Property , Plant & Equipment	**-**	1,791
	523,458	406,968
Economic Value distributed		
Operating costs	**356,221**	248,881
Employee wages and benefits	**159,892**	117,277
Payments to providers of funds	**7,827**	11,736
Payments to government	**11,495**	11,495
	535,435	389,389
Economic value retained	**(11,977)**	17,579

Shareholder Information

TWENTY LARGEST SHAREHOLDERS OF THE COMPANY AS AT 31-03-2023

	NAME	As at 31st March 2023 NO. OF SHARES	%	As at 31st March 2022 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 LIMITED.	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	BANK OF CEYLON NO. 1 ACCOUNT	1,461,100	1.318	1,461,100	1.318
8	SEYLAN BANK PLC/JAYANTHA DEWAGE	1,441,400	1.300	1,441,400	1.300
9	MR A.P.L. FERNANDO	1,141,400	1.029	1,141,400	1.029
10	MOTOR SERVICE STATION (PRIVATE) LTD	944,090	0.851	1,026,853	0.926
11	MRS N.U.D. ARIYARATNA	843,483	0.761	843,483	0.761
12	MR M.J. FERNANDO	833,333	0.752	833,333	0.752
13	MR D.C. FERNANDO	833,333	0.752	833,333	0.752
14	SANDWAVE LIMITED	746,855	0.674	-	-
15	ACCESS ENGINEERING PLC	726,256	0.655	-	-
16	MERCHANT BANK OF SRI LANKA & FINANCE PLC/S.A.A. HASITHA	652,600	0.589	300,200	0.271
17	DR D. JAYANNTHA	621,000	0.560	621,000	0.560
18	MR M.P.D. COORAY	459,204	0.414	459,204	0.414
19	LITTLE SMILE ORGANIC (PVT) LTD	372,995	0.336	372,995	0.336
20	ROYAL CERAMICS LANKA PLC.	336,100	0.303	336,100	0.303
		101,570,566	91.599	99,827,818	90.027
	OTHERS	9,316,118	8.401	11,058,866	9.973
	TOTAL	110,886,684	100.000	110,886,684	100.000

SHARE DISTRIBUTION

Share Holding as at 31st March 2023

From	To	No. of Holders	No. of Shares	%
1	1,000	1221	392,111	0.35
1,001	10,000	450	1,667,693	1.51
10,001	100,000	145	4,370,134	3.94
100,001	1,000,000	36	10,255,429	9.25
Over 1,000,000		9	94,201,317	84.95
		1,851	110,886,684	100

CATEGORIES OF SHAREHOLDERS

Local Individuals	1,730	24,854,080	21.59
Local Institutions	99	85,734,623	77.37
Foreign Individuals	20	204,323	0.19
Foreign Institutions	2	946,955	0.85
	1,851	110,886,684	100.00

DIRECTORS' AND CEO'S SHAREHOLDING AS AT 31ST MARCH 2023

	Name	No. of Shares	%
1	Mr. Malik Joseph Fernando	833,333	0.75
2	Mr. Merril Joseph Fernando	2,124,400	1.92
3	Mr. L N De Silva Wijeyeratne	Nil	-
4	Mr. J A S Sumith Adhihetty	13,741	0.01
5	Mr. Chatura Vishvajit Cabraal	Nil	-
6	Mr. K D Harindra Perera	Nil	-
7	Mr. C Umagaliya Weerawardena	Nil	-
8	Mr. R N Malinga *(Alternate Director to Mr. Malik J Fernando)*	Nil	-
9	Mr. Jan Peter van Twest	Nil	
10	Mr. Jitendra Romesh Gunaratne	Nil	

SHARE PRICES FOR THE YEAR

	Market Price per Share	As at 31.03.2023	Date	As at 31.03.2022	Date
1	Highest during the year	**23.50**	13.03.2023	15.50	11.02.2022
2	Lowest during the year	**9.50**	27.04.2022	9.80	26.08.2021
		-	-	9.80	30.06.2021
3	As at End of Year	**22.00**	31.03.2023	12.50	31.03.2022

PUBLIC HOLDING

Public Holding percentage	26.93%
Number of shareholders representing the above percentage	1,842
The Float adjusted Market Capitalization	Rs. 656,950,577.99

The Float adjusted market capitalisation of the Company falls under option 2 of rule 7.14.1(b) of the listing rules of the Colombo Stock Exchange and the Company has complied with the minimum public holding requirement applicable under the said option.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Thirty Ninth (39th) 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 30th June 2023 at 11.00 a.m. for the following purposes:

1 To receive and consider the Annual Report of the Board of Directors on the affairs of the Company and its subsidiary and the Statement of Accounts for the year ended 31st March 2023 with the Report of the Auditors thereon.
2. To re-elect Mr Malik J Fernando who retires by rotation pursuant to the provisions of Article 84 of the Articles of Association of the Company, as a Director.
3. 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.
4. To elect Mr J R Gunaratne who retires pursuant to the provisions of Article 91 of the Articles of Association of the Company, as a Director.
5. To pass the ordinary resolution set out below to re-appoint Mr. Merril J Fernando, who is 93 years of age, as a Director of the Company.

   "IT IS HEREBY RESOLVED that Mr Merril J Fernando who is 93 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."
6. To pass the ordinary resolution set out below to re-appoint Mr L N de S Wijeyeratne, who is 73 years of age, as a Director of the Company.

   "IT IS HEREBY RESOLVED that Mr L N de S Wijeyeratne who is 73 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."
7. To pass the ordinary resolution set out below to re-appoint Mr J A S S Adhihetty, who is 73 years of age, as a Director of the Company.

   "IT IS HEREBY RESOLVED that Mr J A S S Adhihetty who is 73 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."
8. To re-appoint Messrs Ernst & Young, Chartered Accountants, as the Auditors of the Company and to authorize the Directors to determine their remuneration.
9. To authorize the Directors to determine donations for the year ending 31st March 2024 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
26 May 2023

Notes
1. A Shareholder entitled to attend and vote at the meeting is entitled to appoint a proxy to attend, speak and vote on behalf of him/her.
2. A proxy need not be a Shareholder of the Company.
3. The Form of Proxy is enclosed for this purpose.
4. The completed Form of Proxy must be deposited at the Office of the Secretaries, No.3/17, Kynsey Road, Colombo 8, by 11.00.a.m. on 28th June 2023.

Notes

Notes

Form of Proxy

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

of .... being a Shareholder/s*

of THE FORTRESS RESORTS PLC, hereby appoint..

(holder of NIC No..) of ....or failing him/her*

Mr K D H Perera	or failing him*
Mr J A S SAdhihetty	or failing him*
Mr Malik J Fernando	or failing him*
Mr Merril J Fernando	or failing him*
Mr L N De Silva Wijeyeratne	or failing him*
Mr Jan P van Twest	or failing him*
Mr Chatura V Cabraal	or failing him*
Mr C U Weerawardane	or failing him*
Mr J R Gunaratne	

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 30th June 2023 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 re-elect Mr Malik J Fernando, who retires in terms of Article 84 of the Articles of Association as a Director of the Company		
2)	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		
3)	To elect Mr J R Gunaratne, who retires in terms of Article 91 of the Articles of Association as a Director of the Company		
4)	To pass the ordinary resolution set out under item 5 of the Notice of Meeting for the re-appointment of Mr Merril J Fernando as a Director.		
5)	To pass the ordinary resolution set out under item 6 of the Notice of Meeting for the re-appointment of Mr L N de S Wijeyeratne as a Director.		
6)	To pass the ordinary resolution set out under item 7 of the Notice of Meeting for the re-appointment of Mr J A S S Adhihetty as a Director.		
7)	To re-appoint Messrs Ernst & Young, Chartered Accountants, as Auditors and to and to authorize the Directors to determine their remuneration		
8)	To authorize the Directors to determine donations for the year ending 31st March 2024 and up to the date of the next Annual General Meeting.		

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

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 11.00 a.m. on 28th June 2023.

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/Managing Director)
Mr. J A S S Adhihetty
Mr. Malik J Fernando
(Alternate Director Mr.R N Malinga)
Mr. Merril J Fernando
Mr. L N De Silva Wijeyeratne
(Senior Director)
Mr.Jan Peter van Twest
Mr.C V Cabraal
Mr.C U Weerawardena
Mr. Jitendra Gunaratne
(Appointed with effect from 01st February 2023)

SUBSIDIARY COMPANIES

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

HOTEL

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

SECRETARIES

P W Corporate Secretarial (Pvt) Ltd.
No.3/17, Kynsey Road.
Colombo 08.

Telephone : 011 4640360-3
Fax : 011 4740588
Email: pwcs@pwcs.lk

EXTERNAL AUDITORS

Ernst & Young

CHARTERED ACCOUNTANTS

201,De Seram Place,
Colombo 10.

INTERNAL AUDITORS

BDO Partners

CHARTERED ACCOUNTANTS

"Charter House"
65/2, Sir Chittampalam A Gardiner Mawatha
Colombo 02.

BANKERS

Bank of Ceylon
Sampath Bank PLC
Pan Asia Banking Corporation PLC

Concept & Designed by
Copyline
a great equation

THE FORTRESS RESORT & SPA

SRI LANKA

www.fortressresortandspa.com