



Waskaduwa Beach Resort Limited – Initial Public Offering

Waskaduwa Beach Resort Limited (WBRL) was incorporated on 07th January 2011 as a subsidiary of Citrus Leisure PLC. The establishment of this company is to carry on the business operation of the proposed 4 star hotel of ‘Citrus Waskaduwa’ at Waskaduwa. Waskaduwa is approximately 35 kilo meters (45 Minutes) away from Colombo; the Main Commercial city of the country. Waskaduwa inherits a picturesque and leisure friendly environment.

For the construction purpose, WBRL purchased 8 acres of land at a cost of LKR 380Mn. The property faces approximately 700 meters of unspoilt beach. The company expects to commence the construction activities during December 2011 and estimates construction duration of 30 months.

WBRL is planning to commence commercial operations by early 2015 (Financial Year) and is to be a 150 roomed 4 star hotel inclusive of 40 deluxe rooms & 110 standard rooms and a Presidential suite. A banquet facility is too included in the project. The banquet facility is to accommodate up to 500 people. WBRL expects to earn profits from year 2016/17 onwards.

IPO @ a Glance

No of share	15,600,000 Shares
Issue price	LKR 12.50/-
Amount to be raised	LKR 195Mn
Issue opening date	30 th Nov 2011
Issue closing date	19 th Dec 2011
Earliest closing date	30 th Nov 2011
Listing	Diri Savi Board
Minimum Subscription	1,000 Shares
Managers to the Issue	Capital Trust Financials(Pvt) Ltd

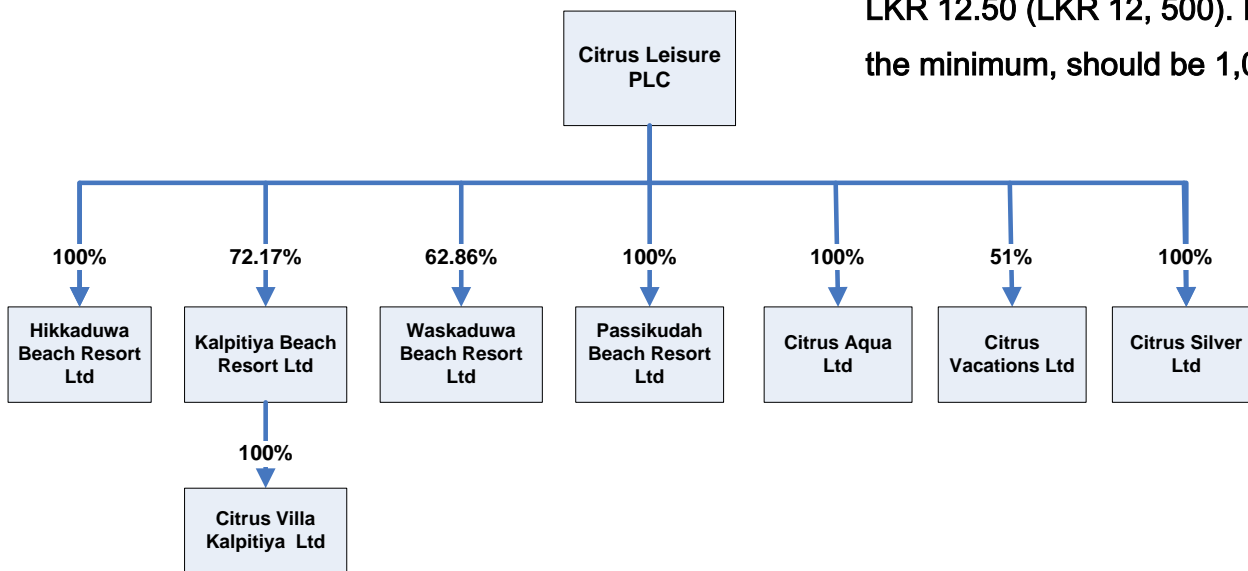
Category	%	Shares
Retail Investor	40%	6,240,000
Unit Trust	10%	1,560,000
Non-Retail Investc	50%	7,800,000

Citrus Waskaduwa is to be built with 5 star facilities, but will be priced & marketed as a 4 star property because of its objective to penetrate the down-south tourism market. This market is expected to experience the highest growth rate during the post-war environment as the country moves from a budget tourist destination to a high end luxury tourist destination.

Retailer Category - up to 8,000 Shares

Group Structure

Minimum Subscription – 1,000 shares @ LKR 12.50 (LKR 12, 500). Exceeding the minimum, should be 1,000 multiples



Objectives of the Issue

The estimated total cost of constructing the hotel is LKR 1.8Bn and is to be note that WBRL has incurred LKR 380Mn to acquire the 8 acres land. The entire IPO proceed would be fully utilized to finance the construction of “Citrus Waskaduwa” after deducting the cost of Issue.WBRL’s Stated Capital as at the Prospectus date is LKR 1,392,059,700/- and with the IPO proceeds will increase to LKR 1,581,559,700/-. The IPO costs are estimated at LKR 5,500,000/- .

Promoters’ shares and Private Placement

CITRUS LEISURE PLC (REEF), the Parent company of the WBRL, invested LKR 380Mn to acquire the land and provided a further 500Mn in cash to the WBRL. Therefore, the WBRL issued 88Mn shares @ LKR 10 per share (LKR 880Mn) to REEF as the consideration.

Board of Directors

Mr E. Prema A.Cooray	Chairman
Mr.Dilith S. Jayaweera	Executive-Director
Ms.Varuni S.P Amunugama	Executive- Director
Mr Rajinda Seneviratne	Non-Executive-Director
Mr S.A Amarasekara	Non-Executive-Director
Mr A.S. Rayynor Silva	Non-Executive-Director
Mr J.Manoj Pilimatalawwe	Non-Executive-Director
Mr S. Dayanath De Mel	Non-Executive-Director

On the 18th Feb 2011 WBRL carried out a private placement to issue 52Mn shares to selected investors at a consideration of LKR 10/- share. The company at the private placement raised LKR 512Mn after deducting the Issue cost. The shares issued at the private placement will be locked (for trading) up until the 17th Feb 2012. The REEF shares will also to be locked up until mid-February 2012. With the IPO proceeds of WBRL’s stated capital reached to LKR 1,581,559,700/- representing 155,600,010 shares.

Management of the Hotel

Citrus Waskaduwa will be managed by REEF (the parent company).Therefore; REEF shall be entitled to a basic management Fee which will account for 3% of the Gross Income of WBRL and a further 2 %of the Gross Management Profit (equivalent to Gross Profit) as the incentive fee.

Total Cost of the Hotel Project

Total construction of WBRL project has been estimated at LKR 1,860.8Mn inclusive of the capitalized interest cost of LKR 60.8Mn. WBRL expects to finance this with the IPO proceeds of LKR 1,581,559,700.The Company will access a Long Term Loans of LKR 780 Million. The remaining cash will remain as a Cash Balance.

Financing the Hotel Project		
<u>Equity</u>	Amount (LKR)	%
Issued Shares	1,201,559,700	65%
<u>Borrowings</u>		
Long-term Borrowings	659,240,300	35%
Total	1,860,800,000	100%

Shareholding Structure

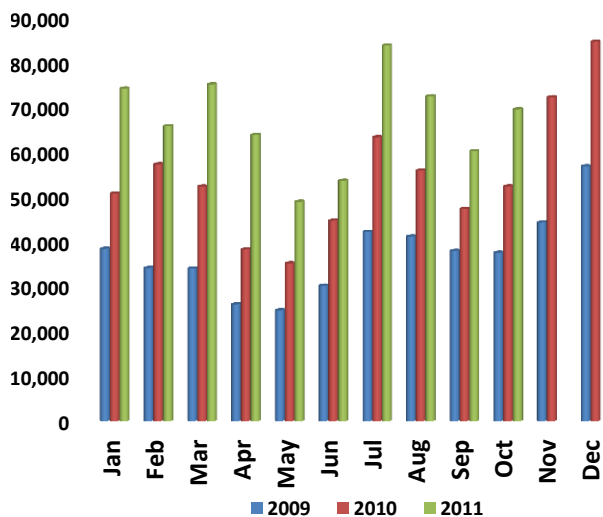
Shareholder	Pre- IPO		Post- IPO	
	No of Share	%	No of Share	%
Citrus Leisure PLC	88,000,001	62.86%	88,000,001	56.56%
Vallible One Ltd	28,000,000	20.00%	28,000,000	17.99%
K. M. Goonewardene	4,900,000	3.50%	4,900,000	3.15%
W.D. Nimal Perera	4,000,001	2.86%	4,000,001	2.57%
G.R.W De Soyza	3,100,000	2.21%	3,100,000	1.99%
Rurev Capital (Pvt) Ltd	3,000,000	2.14%	3,000,000	1.93%
T.G Thoradeniya	2,500,001	1.79%	2,500,001	1.61%
Abbiani Holding (Pvt) Ltd	1,700,000	1.21%	1,700,000	1.09%
Capital Trust Holdings Ltd	1,000,000	0.71%	1,000,000	0.64%
Others	3,800,007	2.71%	3,800,007	2.44%
IPO- Investors	0	0%	15,600,000	10.03%
Total	140,000,010	100.00%	155,600,010	100.00%

Tourism Industry in Sri Lanka

From mid-2009, Sri Lanka has been reaping the benefits of peace after the conclusion of the 3 decade war in the Northern and Eastern Provinces. This has led to all Business sectors to experience an increase in business activity. Of which some of the main businesses have been Tourism, Construction and Service sectors. The tourist industry however has been the main beneficiary recording exceptional growth after 2009 reflecting a boost in tourist arrivals.

Increase in tourist arrivals after the conclusion of

war



	2009	2010	Change	2011	%Change
Jan	38,468	50,757	31.95%	74,197	46.18%
Feb	34,169	57,300	67.70%	65,797	14.83%
Mar	34,065	52,352	53.68%	75,130	43.51%
Apr	26,054	38,300	47.00%	63,835	66.67%
May	24,739	35,213	42.34%	48,943	38.99%
Jun	30,234	44,730	47.95%	53,636	19.91%
Jul	42,223	63,339	50.01%	83,786	32.28%
Aug	41,207	55,898	35.65%	72,463	29.63%
Sep	37,983	47,339	24.63%	60,219	27.21%
Oct	37,575	52,370	39.37%	69,563	32.83%
Nov	44,311	72,251	63.05%	?	
Dec	56,862	84,627	48.83%	?	
Total	447,890	654,476		667,569	

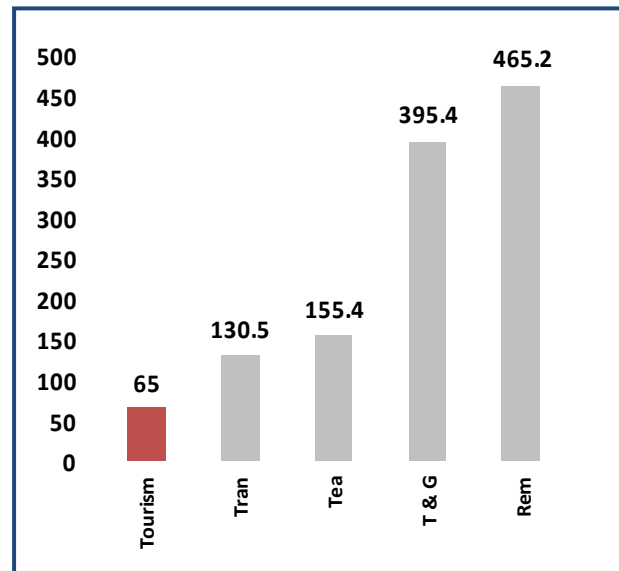
Tourist arrivals to the country started to increase gradually after May 2009, and during the 2009 peak season most beach hotels recorded 100% occupancy rates. The growth in the industry continued to the year 2010 to record the highest number of tourist arrivals recording 654,476 arrivals which was an increase of 46%.

During the year 2011 the government expects 800,000 arrivals within the year. The arrivals have surpassed the previous year's total arrivals, within first 10 months of 2011, to exceed 750,000 arrivals in mid-November 2011. With the forecasted boost in tourist arrivals during November & December, it is expected that arrivals for the 2011 could be close to 900,000. As a result of the growth in tourist arrivals, the foreign exchange earnings have increased by 62.0% from LKR 40Bn (USD 349.3mn) in 2009 to LKR 65Bn (USD 575.9mn) in 2010. Therefore the tourist industry has maintained to be the 5th largest foreign exchange earner only to be overtaken by the following, Foreign Remittances (FR) LKR 465.2Bn, Textiles and Garments (T&G) LKR 395.4Bn, Tea LKR 155.4Bn and Transportation Services (TRAN) LKR 130.5Bn.

However, the contribution from the Tourist industry to total foreign exchange earnings is 3.8% and is a small portion compared to the 27.0% from FR and 23.0% from T&G; this is a clear indication of the industry’s growth potentials. Moreover, foreign exchange receipts per tourist per day recorded an increase of US \$ 6.2, (from US \$ 81.8 in 2009 to US \$ 88.0 in 2010).

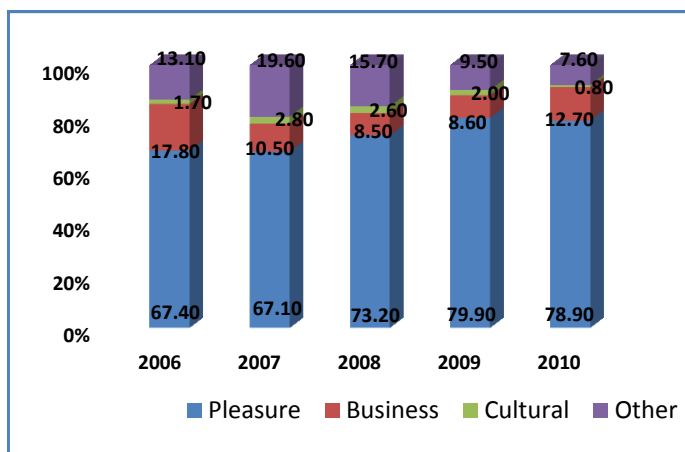
Tourist arrivals to the country saw a substantial increase with the New York Times ranking Sri Lanka as the no. 1 out of 31 travel destinations to visit in 2010. Ancient cities, world famous beaches, wild life safari, entertainments have contributed to the increase in the premium tourism sector during past few years. Sri Lanka is the host to seven designated locations recognized by UNESCO as World Heritage sites such as, the ancient cities of Anuradhapura, Polonnaruwa, Kandy and Dambulla Rock Temple, the Galle Fort and the Citadel Kingdom of Sigiriya and Sinharaja Forest Reserve. Sri Lanka has abundant wildlife attractions with 15 national parks and wildlife reserves. Amongst them, Yala National Park has been attracted as the highest density of leopards in the world and Pinnawela Elephant Orphanage is the largest of its kind in the world.

Largest Foreign Exchange Earners



Market Segment

Mainly Sri Lanka’s tourism can be divided in to 5 categories namely business, cultural, leisure and other. Based on these categories, visiting areas will be varied. For example, in most cases business tourist are coming to Colombo city area, Cultural tourists visit those ancient cities located at Cultural triangle Anuradhapura, Polonnaruwa and Kandy, whereas beaches and up country areas are the attraction of the leisure tourists.



The table highlights that a large proportion of the tourists (More that 70%) have arrived for Leisure purposes, though in 2006, 2007 it was below that due to the civil unrest in the country, but after 2009 the tourist segment experienced a gradual increase. Further, the Business tourism sector too experienced a significant reduction in 2007, 2008 and 2009, but gradually increased in 2010.

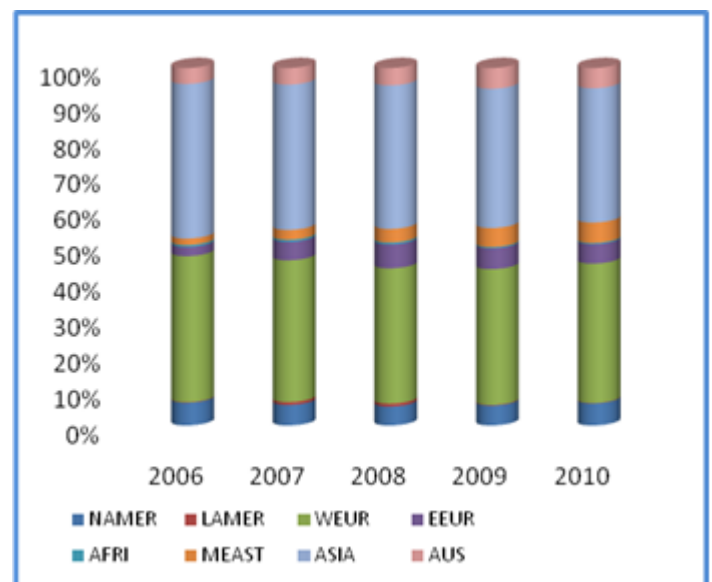
In 2009, 2010 and 2011 the Sri Lanka has been experiencing an increase in tourist arrivals, largely accounting to increase arrivals from Western Europe and India. These increase arrivals mainly consists of business and leisure travellers. In 2004, 2005 and 2006 Sri Lanka recorded very high tourist arrivals recording 566,202, 549,308 and 559,603 arrivals respectively. This was due to the cease fire agreement between the Sri Lankan government and Tamil Tigers. But, with the inception of 4th Ealam war the tourist arrivals drastically reduced.

Continent	2006	2007	2008	2009	2010
North America	35,688	28,338	23,203	25,044	40,552
Latin America	805	4,104	3,721	666	594
Western Europe	228,666	195,813	165,822	170,186	255,172
Eastern Europe	14,236	25,485	29,352	26,177	35,630
Africa	3,163	2,991	2,354	1,591	2,249
Middle East	10,191	13,587	16,701	23,821	37,501
Asia	241,954	200,697	175,944	174,382	245,753
Australasia	24,900	22,993	21,378	26,023	37,025
Total	559,603	494,008	438,475	447,890	654,476

Comparing 2009 and 2010 figures, it is evident that tourist arrivals from all continents have increased significantly; the most noticeable are 62% increase in North Americans, 50% increase in Western Europeans and 41% increase in Asians.

The Indian tourists recorded the highest number of arrivals in 2010, recording 125,112 arrivals. Traditionally the Indians visits are limited to short durations mainly for the business and other meetings. UK and German arrivals were next to the Indians recording 105,938 and 45,981 arrivals respectively. These tourists arrive mainly for the leisure purpose. This segment consist of tourists that stay for a long durations and are categorized as premium tourists, as they spend more on their visits.

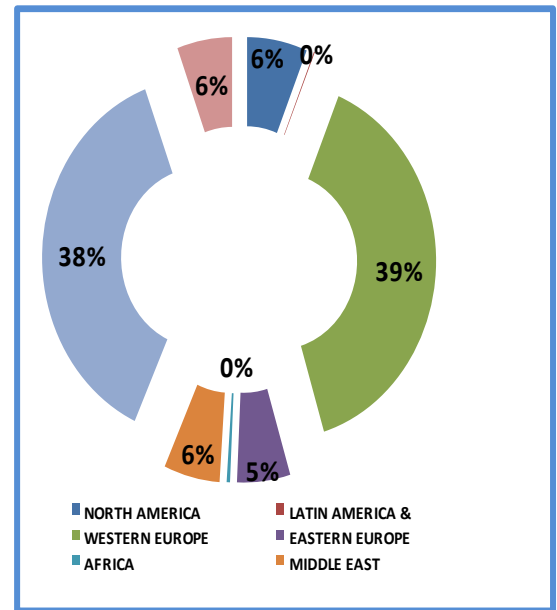
The graph below shows the tourist arrivals during the past five years and based on the graph, in every year, close to 80% of tourists arrive from Western Europe and Asian countries. This reflects unlimited growth capacity. The industry could market to attract tourist from other countries. The Australasian and North American tourists increased significantly in 2010 and this will be significant in attracting premium tourists.



Tourist arrivals on last 5 years

Continent	2006	2007	2008	2009	2010
North America	35,688	28,338	23,203	25,044	40,552
Latin America	805	4,104	3,721	666	594
Western Europe	228,666	195,813	165,822	170,186	255,172
Eastern Europe	14,236	25,485	29,352	26,177	35,630
Africa	3,163	2,991	2,354	1,591	2,249
Middle East	10,191	13,587	16,701	23,821	37,501
Asia	241,954	200,697	175,944	174,382	245,753
Australasia	24,900	22,993	21,378	26,023	37,025
Total	559,603	494,008	438,475	447,890	654,476

Arrivals in 2010



Occupancy Rates

The room occupancy rate of graded accommodation increased to 70.1% in 2010 as compared to 48.4% in 2009 recording an increase of 21.7 percentage points. Further the room capacity in graded tourist hotels increased to 14,714 against the 14,461 in the previous year and finally total foreign guest nights recorded in graded accommodation establishments increased at a rate of 46.4% in 2010 to 4,126,544 from 2,818,487 during the previous year.

The government vision for the Tourist industry to achieve 2.5M tourist arrivals provides unlimited business opportunities for existing market participants to expand their businesses, and for the new entries to the market. This is due to the requirement of 56,205 rooms to accommodate the 2.5Mn arrivals expected for 2016, highlighting a 41,491 room requirement for 2016.

Description	Total
Total Arrivals in 2010	654,477
Available rooms	14,714
Visitors per room	44.48
Rooms for 2.5Mn arrivals	56,205
New room requirements	41,491

Government Initiatives

As one of the largest foreign currency earning industries, the industry has gained government consideration. With the conclusion of a 3 decades war in 2009, government has taken numerous approaches to improve the industry. The government contribution came in several forms. Of which one of the main projects of the government was the infrastructure development, this was in favor with the tourist industry. The government expects to develop roads covering these tourist destinations, most of which are rural areas. Katunayake-Padeniya-Anuradhapura highway, Colombo – Kandy highway, Colombo – Katunayake Expressway, Southern Expressway roads are clearly linked to tourist destinations. In addition, proposed Mattala Air Port and Hambantota Port are too positive approaches in developing the tourism industry in Sri Lanka.

Further, the Introduction of a minimum room rate of USD 125 by the government in the capital city of Colombo was In order to help the hotel industry within the competitive range. This approach provided the competitive advantage against the other competitive tourism destinations such as Male, Bali and Phuket. During 2010, five star hotels enjoyed a 77% occupancy rate while 4 star properties recorded a 75% occupancy rate during the year reflecting the attractiveness of the pricing.

The Board of Investments (BOI) of Sri Lanka is offering incentives for the development of hotels and other tourist facilities. The government currently offers a five year tax holiday on any project with a minimum investment of US\$500,000. To encourage projects in the northern and Eastern provinces, the government offers additional incentives, depending on the nature and scale of the project.

The government has target to expect 2.5 million tourist arrivals by the year 2016. In order to achieve this target, several promotional and developmental activities have been initiated. One such promotional initiative is the declaration of the year 2011 as “Visit Sri Lanka Year”, where each month is promoted with a special attraction and festival. On the 2012 Budget the Government facilitated the tourist industry as a wining industry and industry operator are given the import duty concessions in importing tourist buses.

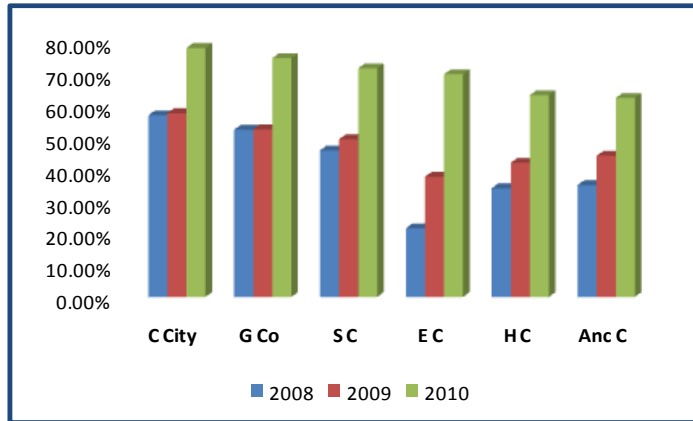
Southern Tourism

Tourism in the southern costal belt possess a number of tourist destinations and tourism has been developed mainly based on the attractive beaches such as Beruwela, Kaluthara, Unawatuna, Tangalle, Hikkaduwa, Wadduwa, Mirissa, Galle, Koggala, Bentota. Beach tourism is a major part of Sri Lankan tourism industry and lots of beaches have gained fame around the world due to the natural locations. The country is famed for some of the best beaches and surfing destinations in the world.

- Nelaveli as one of the top 10 beaches in the world
- Arugam Bay one of the top 10 surfing destinations in the world
- Unawatuna was once named the “best beach in the world” by Discovery Channel

Southern tourism has been popularized mainly amongst leisure tourists. Southern tourism reported the highest occupancy rate next to the Colombo which consists both business and leisure tourists. This provides a clear indicator of the attractiveness of the southern beaches amongst the leisure tourists.

Occupancy rates based on the region



Occupancy rates based on the region

Region	2008	2009	2010
Colombo City	57.10%	57.80%	78.30%
Greater Colombo	52.60%	52.70%	75.10%
South Coast	46.10%	49.60%	71.90%
East Coast	21.60%	37.80%	70.00%
High Country	34.20%	42.20%	63.50%
Ancient Cities	35.20%	44.40%	62.60%

Risk Factors of the WBRL Project

The project is purely based on future forecasts. Further the nature of the project is subjected to a number of risk factors, which are beyond WBRL’s management capacity. The Macroeconomic changes may create material effect to the forecasts positively and negatively. The positive events will increase the earning capabilities of WBRL, whereas negative effects would result in eroding the shareholder value. It is the responsibility of Management of WBRL to for see the incoming negative events to develop strategies to overcome the negative factors.

Negativity in the Sri Lanka Tourism Market - If any events occur which could jeopardize the popularity of the country mainly amongst the North American and Western European countries will be a disaster to the entire industry as it will be losing the premium segment of the industry.

Construction cost increase - Increase in construction cost could have a material impact on the feasibility and return projections of the project. Project forecasts are based on current costs and inclusion of price escalations. It is essential to note that some factors have already changed post prospectus date, with the devaluation of Rupee by 3%. For these initial projections, WBRL has used a fixed exchange rate of Rs 110: USD 1 and as a result of above budgetary proposal, rate increased to Rs 113.50: USD 1. Though this is a minor change, it is the responsibility to management to have a contingency plan.

Non-performance of contractor: The non- performance of the contractor could adversely affect project completion and could result in cost overruns. If this occurs, it would be a u turn to the projection and could result in losses and postponing the operation commencement and would result in the stakeholders see a decrease in the earnings. It is essential to note that WBRL has appointed a project team to overlook this construction.

Environmental Issues- Environmental concerns may arise due to the hotel being located near the coast and due to the large number of tourists arriving to the hotel when operational. The company will ensure that all approvals are obtained from the relevant authorities so that there will be no obstructions during construction. It is important to WBRL to maintain close relationship with all the stakeholders including those pressure groups. During the construction stage as well as the operational stage, WBRL must ensure it as a good corporate citizen.

Behavior of the Private Placement Shareholders – Private Placement was carry out at LKR 10/- per share and shares will be unlocked from mid of February 2012 onwards. Significant price gap against the IPO price of LKR 12.50 will be compelled private placement investors to dump their shares and realize the capital gains. This is the capital market risk exposure of WBRL mainly in medium term.

WBRL –Financials

Company has a short history with the incorporation in January 2011. Though WBRL provides the financials up to 30th June 2011 in a transparent manner, financial statement consisted with other incomes and fixed cost. But based on the projections WBRL has provided the forecasted financial statements from 2015E onwards.

FORECASTED INCOME STATEMENT							
Year Ended 31st March	FYE-2012	FYE-2013	FYE-2014	FYE-2015	FYE-2016	FYE-2017	FYE-2018
Revenue							
Rooms	-	-	-	251,625,000	474,271,875	580,983,047	610,032,199
Food & Beverages	-	-	-	163,556,250	308,276,719	377,638,980	396,520,929
Other Income	-	-	-	13,725,000	25,869,375	31,689,984	33,274,484
Total Income	-	-	-	428,906,250	808,417,969	990,312,011	1,039,827,612
Direct Expenses	-	-	-	107,226,563	202,104,492	247,578,003	259,956,903
Gross Profit	-	-	-	321,679,687	606,313,477	742,734,008	779,870,709
Operating Expenses	-	-	-	214,453,125	404,208,984	495,156,006	519,913,806
EBITDA	-	-	-	107,226,562	202,104,493	247,578,002	259,956,903
Depreciation	-	-	-	124,053,333	148,864,000	148,864,000	148,864,000
Interest Expenses							
Project Finance	-	-	-	61,750,000	69,468,750	60,206,250	50,943,750
Short Term Borrowings	-	-	-	-	-	-	-
Net Income- Hotel Ops	-	-	-	(78,576,771)	(16,228,257)	38,507,752	60,149,153
Interest Income	34,875,222	49,957,686	27,024,967	19,512,529	16,765,368	22,147,042	30,494,907
Profit Before Tax	34,875,222	49,957,686	27,024,967	(59,064,242)	537,111	60,654,794	90,644,060
Taxation	9,765,062	13,988,152	7,566,991	5,463,508	4,694,303	10,822,102	15,756,472
Profit After Tax	25,110,160	35,969,534	19,457,976	(64,527,750)	(4,157,192)	49,832,692	74,887,588
Number of Shares	155,600,010	155,600,010	155,600,010	155,600,010	155,600,010	155,600,010	155,600,010
Forecasted EPS	0.16	0.23	0.13	-0.41	-0.03	0.32	0.48
PER(X)	-	-	-	-	-	39.03	25.97

Waskaduwa Beach Resort Ltd - Forecasted Balance Sheet							
Year Ended 31st March	FYE-2012	FYE-2013	FYE-2014	FYE-2015	FYE-2016	FYE-2017	FYE-2018
Fixed Assets -Net Book Value							
Land	380,000,000	380,000,000	380,000,000	380,000,000	380,000,000	380,000,000	380,000,000
Plant & Building	240,000,000	965,700,000	1,728,450,000	1,736,746,667	1,587,882,667	1,439,018,667	1,290,154,667
Total Fixed Assets	620,000,000	1,345,700,000	2,108,450,000	2,116,746,667	1,967,882,667	1,819,018,667	1,670,154,667
Current Assets							
Net Operating Working Capital	-	-	-	50,000,000	50,000,000	50,000,000	50,000,000
Other	996,434,922	430,927,546	341,214,361	216,286,462	262,724,064	370,048,556	501,234,514
Total Current Assets	996,434,922	430,927,546	341,214,361	266,286,462	312,724,064	420,048,556	551,234,514
TOTAL ASSETS	1,616,434,922	1,776,627,546	2,449,664,361	2,383,033,129	2,280,606,731	2,239,067,223	2,221,389,181
Equity							
Stated Capital	1,581,559,700	1,581,559,700	1,581,559,700	1,581,559,700	1,581,559,700	1,581,559,700	1,581,559,700
Retained Earnings	25,110,160	61,079,694	80,537,670	16,009,920	11,852,728	61,685,420	136,573,008
Total Equity	1,606,669,860	1,642,639,394	1,662,097,370	1,597,569,620	1,593,412,428	1,643,245,120	1,718,132,708
Non Current Liabilities							
Project Loans	-	120,000,000	780,000,000	780,000,000	682,500,000	585,000,000	487,500,000
Other Current Liabilities							
Tax Payable	9,765,062	13,988,152	7,566,991	5,463,508	4,694,303	10,822,102	15,756,472
Total Liabilities	9,765,062	133,988,152	787,566,991	785,463,508	687,194,303	595,822,102	503,256,472
TOTAL EQUITY & LIABILITIES	1,616,434,922	1,776,627,546	2,449,664,361	2,383,033,128	2,280,606,731	2,239,067,222	2,221,389,180
Diluted Number of Shares	155,600,010	155,600,010	155,600,010	155,600,010	155,600,010	155,600,010	155,600,010
Forecasted NAVS	10.33	10.56	10.68	10.27	10.24	10.56	11.04

RATIO ANALYSIS							
Year Ended 31st March	FYE-2012	FYE-2013	FYE-2014	FYE-2015	FYE-2016	FYE-2017	FYE-2018
Operating Revenue Growth	-	-	-	-	88.48%	22.50%	5.00%
Gross Profit Margin	-	-	-	75.00%	75.00%	75.00%	75.00%
Operating Profit Margin	-	-	-	-3.92%	6.59%	9.97%	10.68%
Net Profit Margin	-	-	-	-15.04%	-0.51%	5.03%	7.20%
Asset Turnover	-	-	-	0.18	0.35	0.44	0.47
ROA	1.55%	2.12%	0.92%	-2.67%	-0.18%	2.21%	3.36%
ROE	1.56%	2.21%	1.18%	-3.96%	-0.26%	3.08%	4.46%
LT debt/ (LT debt + Equity)	0.00%	6.81%	31.94%	32.81%	29.99%	26.25%	22.10%
Interest Cover (times)	-	-	-	1.74	2.91	4.11	5.1

Internal Rate of Return

Net Cash Flow	Amout (LKR)	Net Cash Flow	Amout (LKR)
FYE 2012	-205,124,778	FYE 2021	425,281,833
FYE 2013	-679,807,376	FYE 2022	489,074,108
FYE 2014	-706,963,185	FYE 2023	562,435,224
FYE 2015	-50,827,899	FYE 2024	646,800,508
FYE 2016	213,406,353	FYE 2025	743,820,584
FYE 2017	265,030,741	FYE 2026	855,393,671
FYE 2018	279,629,708	FYE 2027	983,702,722
FYE 2019	321,574,165	FYE 2028	1,131,258,130
FYE 2020	369,810,289	*FYE 2029<	4,785,010,554
Profit After Tax for the FYE-2018		74,887,588	
Profit After Tax at a CAGR of 15% for 11 Years		348,406,370	
Terminal Value at a PE Ratio of 10		3,484,063,704	
Net Operating Cash Flow for the FYE 2029		1,300,946,850	
Total Net Cash Flow (FYE 2029<)		4,785,010,554	
IRR		19.70%	

The Profits recorded for the FYE 2018 has been extrapolated at a growth rate of 15% for 11 years and multiplied by 10 to arrive at the Terminal Value.

Payback Period

Year	PAT	Cumulative PAT	Investment	
FYE 2012	4 Months	25,110,160	25,110,160	(240,000,000)
FYE 2013	Year - 1	35,969,534	61,079,694	(720,000,000)
FYE 2014	Year - 2	19,457,976	80,537,670	(720,000,000)
FYE 2015	Year - 3	-64,527,750	16,009,920	(120,000,000)
FYE 2016	Year - 4	-4,157,193	11,852,727	-
FYE 2017	Year - 5	49,832,693	61,685,420	-
FYE 2018	Year - 6	74,887,588	136,573,008	-
FYE 2019	Year - 7	86,120,726	222,693,734	-
FYE 2020	Year - 8	99,038,835	321,732,569	-
FYE 2021	Year - 9	113,894,660	435,627,229	-
FYE 2022	Year - 10	130,978,860	566,606,089	-
FYE 2023	Year - 11	150,625,689	717,231,778	-
FYE 2024	Year - 12	173,219,542	890,451,320	-
FYE 2025	Year - 13	199,202,473	1,089,653,793	-
FYE 2026	Year - 14	229,082,844	1,318,736,637	-
FYE 2027	Year - 15	263,445,271	1,582,181,908	-
FYE 2028	Year - 16	302,962,061	1,885,143,969	-
Total Cost			(1,800,000,000)	
Payback Period			17 Years	

Major Assumptions

Year Ended 31st March	FYE-2015	FYE-2016	FYE-2017	FYE-2018
No of Rooms	150	150	150	150
Occupancy rates	40%	60%	70%	70%
No. of Room Nights	45,750	54,750	54,750	54,750
Average Room Rate (LKR)	13,750	14,438	15,159	15,917
Average Room Rate (USD)	125	131.25	137.81	144.7
F&B Income/ Room Revenue	65%	65%	65%	65%
Other Operating Income/ Room Revenue	5%	5%	5%	5%

Cost	Estimates
Direct Cost	25% of total revenue
Operating expenses	50% of total revenue
Depreciation	Plant & Buildings – 20 years Other assets -5 years
Interest rates	Borrowing -9.5% p.a Deposits – 7.0% p.a
Tax	Hotel operations at 12%.p.a Non Hotel operations 28%

Other Assumptions

- Equity to be raised in the 1st year and debt to be raised in year 2nd year.
- Room rate in the first year of operation to be US\$125 and thereafter will grow at 5% per annum.
- 80% of Construction cost is Building Cost and Fixtures & Fittings etc would be 20% of total construction cost.
- Resort to part finance through Long Term Project Finance loans with 2 year grace period and 8 year repayment period.

Research - Division

Thakshila Hulangamuwa

Vice President - (Business Development)

thakshi@ashaphillip.net

0094 113070494

Pasindu Perera

Manager – Research

pasindu@ashaphillip.net

0094 113070494

Ranuka De Silva

Research Analyst

ranuka@ashaphillip.net

Lasantha Senanayake

Research Analyst

lasantha@ashaphillip.net

Kumuthini Sivathas

Tr: Research Analyst

kumuthini@ashaphillip.net

This document has been prepared and issued by Asha Phillip Securities Ltd, on the basis of publicly available information, internally developed data and other sources, believed to be reliable. Whilst all responsible care has been taken to ensure that the facts stated are accurate and the opinions given are fair and reasonable. Neither Asha Phillip Securities Ltd, nor any Director, Officer or employee, shall in any way be responsible for the contents. Asha Phillip Securities Ltd may act as a Broker in the investments which are the subject of this document or related investments and may have acted upon or used the information contained in this document, or the research or analysis on which it is based, before its publication. Asha Phillip Securities Ltd., Its Directors, Officers or Employees may also have a position or be otherwise interested in the investments referred to in this document. This is not an offer to sell or buy the investments referred to in this document.