



# **HIKKADUWA BEACH RESORT PLC**

**Interim Financial Statements**

**For the Quarter Ended 30 September 2016**

**HIKKADUWA BEACH RESORT PLC**
**STATEMENT OF COMPREHENSIVE INCOME**

	<u>Quarter Ended 30<sup>th</sup> September</u>			<u>Six Months Ended 30th September</u>			<u>Year Ended 31<sup>st</sup> March</u>
	<u>2016 Unaudited Rs.</u>	<u>2015 Unaudited Rs.</u>	<u>Increase / (Decrease) %</u>	<u>2016 Unaudited Rs.</u>	<u>2015 Unaudited Rs.</u>	<u>Increase / (Decrease) %</u>	<u>2016 Audited Rs.</u>
<b>Revenue</b>	66,481,326	55,103,016	21%	101,078,435	105,081,447	-4%	295,689,297
Cost of Sales	<u>(18,325,959)</u>	<u>(20,275,881)</u>	-10%	<u>(27,971,353)</u>	<u>(38,078,189)</u>	-27%	<u>(63,024,262)</u>
<b>Gross Profit</b>	<b>48,155,367</b>	<b>34,827,135</b>	38%	<b>73,107,082</b>	<b>67,003,258</b>	9%	<b>232,665,035</b>
Other Income	592,336	547,153	8%	1,133,721	1,315,631	-14%	5,248,459
Administrative Expenses	(16,704,496)	(15,565,668)	7%	(43,470,049)	(38,732,724)	12%	(95,301,827)
Operating Expenses	(17,853,876)	(16,201,001)	100%	(25,403,134)	(22,747,789)	100%	(61,174,446)
Selling and Marketing Expenses	(3,009,463)	(4,141,491)	-27%	(6,543,424)	(8,284,181)	-21%	(22,882,558)
Finance Income	18,406,183	9,567,319	92%	33,793,359	12,572,042	169%	40,343,664
Finance Cost	<u>(12,014,615)</u>	<u>(5,388,336)</u>	123%	<u>(24,814,042)</u>	<u>(7,779,175)</u>	219%	<u>(30,165,865)</u>
<b>Profit/ (Loss) Before Tax</b>	<b>17,571,437</b>	<b>3,645,111</b>	382%	<b>7,803,514</b>	<b>3,347,062</b>	133%	<b>68,732,461</b>
Income Tax Expense	<u>(1,065,871)</u>	<u>(2,656,450)</u>	-60%	<u>(5,232,254)</u>	<u>(3,519,314)</u>	49%	<u>(10,370,620)</u>
<b>Profit/ (Loss) for the Period</b>	<b>16,505,566</b>	<b>988,661</b>	1569%	<b>2,571,260</b>	<b>(172,252)</b>	-1593%	<b>58,361,842</b>
<b>Other Comprehensive Income</b>	-	-	0%	-	-		<b>(675,704)</b>
<b>Total Comprehensive Income for the Period, net of tax</b>	<b>16,505,566</b>	<b>988,661</b>	1569%	<b>2,571,260</b>	<b>(172,252)</b>		<b>57,686,138</b>
<b>Earnings/(Loss) per share - Basic (Rs.)</b>	<b>0.29</b>	<b>0.02</b>		<b>0.04</b>	<b>(0.00)</b>		<b>1.05</b>

# HIKKADUWA BEACH RESORT PLC

## STATEMENT OF FINANCIAL POSITION

	30.09.2016	30.09.2015	31.03.2016
	Unaudited	Unaudited	Audited
	Rs.	Rs.	Rs.
<b>ASSETS</b>			
<b>Non Current Assets</b>			
Property, Plant & Equipment	950,831,897	962,550,651	945,905,896
Intangible Assets	211,948	-	248,491
Amounts due from Related Party	611,300,334	592,558,909	619,247,357
	<u>1,562,344,178</u>	<u>1,555,109,560</u>	<u>1,565,401,744</u>
<b>Current Assets</b>			
Inventories	6,433,749	5,965,017	5,696,231
Trade and Other Receivables	145,321,389	97,185,814	141,606,420
Advances & Prepayments	6,431,097	6,918,655	4,273,027
Income Tax Receivable	-	1,232,814	-
Cash and Bank Balances	42,158,083	25,417,306	43,520,584
	<u>200,344,318</u>	<u>136,719,606</u>	<u>195,096,261</u>
<b>TOTAL ASSETS</b>	<u>1,762,688,496</u>	<u>1,691,829,166</u>	<u>1,760,498,005</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and Reserves</b>			
Stated Capital	778,568,198	778,568,197	778,568,197
Revaluation Reserve	124,178,742	124,178,742	124,178,742
Retained Earnings	282,225,797	221,796,148	279,654,537
<b>Total Equity</b>	<u>1,184,972,737</u>	<u>1,124,543,087</u>	<u>1,182,401,476</u>
<b>Non-Current Liabilities</b>			
Interest Bearing Loans and Borrowings	319,640,000	411,600,000	347,200,000
Retirement Benefit obligation	8,732,083	6,899,522	9,001,637
Amounts Due to Related Parties	5,079,162	2,260,540	2,196,025
Deferred Tax Liability	5,345,243	6,296,799	5,345,243
	<u>338,796,488</u>	<u>427,056,861</u>	<u>363,742,905</u>
<b>Current Liabilities</b>			
Trade and Other Payables	42,078,634	31,256,668	42,231,994
Income Tax Payable	13,711,685	-	8,580,760
Interest Bearing Loans and Borrowings	183,128,953	108,972,550	163,540,870
	<u>238,919,271</u>	<u>140,229,218</u>	<u>214,353,624</u>
<b>TOTAL EQUITY &amp; LIABILITIES</b>	<u>1,762,688,496</u>	<u>1,691,829,166</u>	<u>1,760,498,005</u>

These Financial Statements are in compliance with the requirements of the Companies Act No. 07 of 2007.

Signed  
.....  
Ravindra Dissanayaka  
Group Finance Manager

The Board of Directors is responsible for the preparation and presentation of these Financial Statements.

Signed for and on behalf of the Board by,

Signed  
.....  
E. P. A. Cooray  
Chairman

Signed  
.....  
S. A. Ameresekere  
Director

November 15, 2016  
Colombo

**HIKKADUWA BEACH RESORT PLC****STATEMENT OF CHANGES IN EQUITY**

	<b>Stated Capital</b>	<b>Revaluation Reserve</b>	<b>Retained Earnings</b>	<b>Total</b>
	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>
Balance as at 01 <sup>st</sup> April 2015	778,568,197	124,178,742	228,877,267	1,131,624,206
Profit for the period	-	-	58,361,842	58,361,842
Dividends Paid	-	-	(6,908,868)	(6,908,868)
Other Comprehensive Loss	-	-	(675,704)	(675,704)
<b>Balance as at 31st March 2016</b>	<b>778,568,197</b>	<b>124,178,742</b>	<b>279,654,537</b>	<b>1,182,401,476</b>
<b>Balance as at 01<sup>st</sup> April 2015</b>	<b>778,568,197</b>	<b>124,178,742</b>	<b>228,877,267</b>	<b>1,131,624,206</b>
Loss for the period	-	-	(172,252)	(172,252)
Dividends Paid	-	-	(6,908,868)	(6,908,868)
<b>Balance as at 30<sup>th</sup> September 2015</b>	<b>778,568,197</b>	<b>124,178,742</b>	<b>221,796,147</b>	<b>1,124,543,086</b>
Balance as at 01 <sup>st</sup> April 2016	778,568,197	124,178,742	279,654,537	1,182,401,476
Loss for the period	-	-	2,571,260	2,571,260
<b>Balance as at 30<sup>th</sup> September 2016</b>	<b>778,568,197</b>	<b>124,178,742</b>	<b>282,225,797</b>	<b>1,184,972,736</b>

**HIKKADUWA BEACH RESORT PLC****STATEMENT OF CASH FLOW**

	<b>Period Ended 30.09.2016 Unaudited Rs.</b>	<b>Year Ended 30.09.2015 Unaudited Rs.</b>	<b>Year Ended 31.03.2016 Audited Rs.</b>
<b>CASH FLOWS USED IN OPERATING ACTIVITIES</b>			
Loss before Taxation	7,803,514	3,347,062	68,732,461
<b>ADJUSTMENTS FOR</b>			
Depreciation	16,664,746	20,125,307	40,304,888
Amortisation of Intangible Assets	36,543	-	43,851
Provision for Retirement Benefit Obligation	600,000	600,000	1,593,903
Finance Income	(33,793,359)	(12,572,042)	(40,343,664)
Finance Cost	24,814,042	7,779,175	30,165,865
<b>Operating Profit before Working Capital Changes</b>	<b>16,125,485</b>	<b>19,279,502</b>	<b>100,497,305</b>
(Increase) / Decrease in Inventories	(737,518)	(617,048)	(348,263)
(Increase) / Decrease in Trade and Other Receivables	28,672,778	32,238,202	(5,433,998)
(Increase) / Decrease in Advances and prepayments	(2,158,071)	(2,127,905)	517,724
Increase / (Decrease) in Trade and Other Payables	(153,360)	(9,767,632)	3,987,183
<b>Cash Generated from Operations</b>	<b>41,749,316</b>	<b>39,005,119</b>	<b>99,219,952</b>
Finance Costs Paid	(24,581,292)	(7,779,175)	(27,953,939)
Income Tax Paid	(101,330)	(429,602)	(1,005,555)
Gratuity Paid	(869,554)	(364,066)	(413,812)
<b>Net Cash (used in)/from Operating Activities</b>	<b>16,197,140</b>	<b>30,432,276</b>	<b>69,846,646</b>
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>			
Acquisition of Property, Plant and Equipment	(21,590,747)	(5,129,682)	(9,017,946)
Financed to Related Parties	7,947,023	(389,195,008)	(395,567,467)
Finance Income Received	1,172,862	1,317,772	1,754,885
<b>Net Cash used in Investing Activities</b>	<b>(12,470,862)</b>	<b>(393,006,918)</b>	<b>(402,830,528)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds From Interest Bearing Loans and Borrowings	-	480,000,000	480,000,000
Repayment of Bank Loans	(27,901,068)	(1,641,000)	(35,481,000)
Principal Payment under Finance Lease Liabilities	-	(362,420)	(614,969)
Financed from Related Parties	2,883,137	(5,207,296)	(5,584,570)
Dividend Paid	-	(6,908,868)	(6,908,868)
<b>Net Cash from/(Used in) Financing Activities</b>	<b>(25,017,931)</b>	<b>465,880,416</b>	<b>431,410,593</b>
<b>Net Increase/(Decrease) in Cash &amp; Cash Equivalents</b>	<b>(21,291,651)</b>	<b>103,305,774</b>	<b>98,426,711</b>
Cash & Cash Equivalents at the beginning of the period	(21,600,502)	(120,027,212)	(120,027,213)
<b>Cash &amp; Cash Equivalents at the end of the period</b>	<b>(42,892,154)</b>	<b>(16,721,438)</b>	<b>(21,600,502)</b>
<b>Cash and Cash Equivalents comprise;</b>			
Cash at Bank and in Hand	42,158,083	25,417,306	43,520,584
Bank Overdraft	(85,050,236)	(42,138,744)	(65,121,086)
	<b>(42,892,154)</b>	<b>(16,721,438)</b>	<b>(21,600,502)</b>

## HIKKADUWA BEACH RESORT PLC

### NOTES TO THE INTERIM FINANCIAL STATEMENTS

#### FOR THE QUARTER ENDED 30TH SEPTEMBER 2016

#### 01 Corporate Information

Hikkaduwa Beach Resort PLC, is a public limited liability company incorporated and domiciled in Sri Lanka listed on the Colombo Stock Exchange.

#### 02 Approval of Financial Statements

The interim condensed financial statements of the company for the period ended 30<sup>th</sup> September 2016 were authorised for issue by the Board of Directors on 15th November 2016.

#### 03 Basis of Preparation

The interim condensed financial statements have been prepared in compliance with Sri Lanka Accounting Standard (SLAS) LKAS 34 - Interim Financial Reporting and also provide the information required by the Colombo Stock Exchange. These interim condensed financial statements should be read in conjunction with the annual financial statements for the year ended 31 March 2015.

The company has adopted consistent accounting policies and method of computation as disclosed in the Annual Report for the year ended 31st March 2015.

The Interim condensed Financial Statements are presented in Sri Lankan Rupees and all values are rounded to the nearest Rupee except when otherwise indicated.

	6 months ended 30.09.2016	6 months ended 30.09.2015	Year ended 31.03.2016
<b>04 Share information</b>			
4.1 Basic Earnings/(Loss) Per Share (Rs.)	0.04	(0.00)	1.01
	As at 30.09.2016	As at 30.09.2015	
4.2 Net Assets Per Share (Rs.)	20.58	19.53	
	2016/17 - 2nd Quarter	2015/16 - 2nd Quarter	
4.3 Market Price Per Share (Rs.)			
Highest	18.00	18.20	
Lowest	13.00	14.50	
Closing	16.10	14.50	

4.4 Per Share information has been calculated for all periods, based on fully paid Ordinary Shares in issue as at 30<sup>th</sup> September 2016, amounting to 57,573,897.

#### 4.5 Stated Capital

	Ordinary Shares	
	Amount (Rs.)	Number
As at 30.09.2016	778,568,197	57,573,897
As at 30.09.2015	778,568,197	57,573,897

4.6 The percentage of the shares held by public as at 30th September 2016 was 11.15% (As at 30th September 2015 was 11.15%) comprising 679 shareholders (As at 30th September 2015 was 638 shareholders) .

# HIKKADUWA BEACH RESORT PLC

## NOTES TO THE INTERIM FINANCIAL STATEMENTS

### FOR THE QUARTER ENDED 30TH SEPTEMBER 2016

4.7 The number of shares held by the Board of Directors are as follows,

Director Name	As at 30.09.2016	As at 30.09.2015
Mr. R. Seneviratne	-	-
Mr. D.S Jayaweera	-	-
Mr.E.P.A Cooray	1	1
Mr.P.V.S. Premawardhana	-	-
Mr. S. A. Ameresekere	-	-
<b>Chief Executive Officer</b>		
Mr. P.C.B Thalwatte	5,000	-

4.8 Twenty Largest Ordinary Shareholders of the Company as follows;

No.	Shareholder	As at 30 <sup>th</sup> September 2016	
1	Citrus Leisure PLC	51,127,239	88.80%
2	Pan Asia Banking Corporation PLC/C N Samarathunga	5,222,268	9.07%
3	Ventura Crystal Investments Ltd	195,116	0.34%
4	Mr W V Jagath Pushpa Kumara	96,956	0.17%
5	Dee Sanda Holdings (Pvt) Ltd	41,081	0.07%
6	Union Investment Pvt Ltd	33,742	0.06%
7	Mr M M Fuad	32,659	0.06%
8	Mr J S A Perera and Mrs R N Perera	31,214	0.05%
9	Mr C N Samarathunga	26,088	0.05%
10	Mr W S E Feranando and Mrs S K Fernando	26,000	0.05%
11	Mr N L Wickramage	25,140	0.04%
12	H D K Investment (Pvt) Ltd	25,001	0.04%
13	Mr V R A Sovis	23,000	0.04%
14	Mr K J S S Fernando	22,100	0.04%
15	Mr S H Amarasekara	20,600	0.04%
16	Tranz Dominion L L C	20,000	0.03%
17	Divasa Equity (Pvt) Ltd	17,971	0.03%
18	Sathkriya Investment (Pvt) Ltd	17,760	0.03%
19	Mr I P C Jayawardana	16,054	0.03%
20	Mr K P Premadasa And Mrs H N Fernando	15,678	0.03%
		<b>57,035,667</b>	<b>99.07%</b>
	Others	<b>538,230</b>	<b>0.93%</b>
	Total	<b>57,573,897</b>	<b>100.00%</b>

## **HIKKADUWA BEACH RESORT PLC**

### **NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 30TH SEPTEMBER 2016**

#### **05 Funds raised through the Initial Public Offering (IPO) of Hikkaduwa Beach Resort PLC**

Although 50% of the funds raised through the IPO of Hikkaduwa Beach Resort PLC, a subsidiary of the company (of approximately Rs.57.6 million) were originally allocated for investments in water sports, (i.e. water sports to be conducted outside of the hotel premises), prior to doing so, the Hotel opened a desk to promote water sports, in conjunction with third party operators. However, after a trial period, it was observed that the revenue generated by water sports did not justify a return on the investment.

In that light, the Company decided to provide the option of ocean based water sports/facilities with third party operators instead of making the aforesaid investment.

Thereafter, by a letter dated 03rd November 2015 the Company proposed the utilisation of the said funds for the following purposes within the time lines set out below in order to enhance the “live-in experience” of the hotel guests by which the Company will endeavour to raise the Average Room Rate :

- I. Improvement of the swimming pool and attendant areas- Cost approximately Rs. 20Million -To commence construction during 1<sup>st</sup> week April 2016 (start of the off season).
- II. Construction of Aqua accessories & Amenities shop. This premise to be leased out to a third party – Cost approximately Rs. 12Million –To commence construction during 4<sup>th</sup> week of April 2016.
- III. Construction of Aqua Themed Beach Bar – Cost approximately Rs. 8 Million- To Commence construction during 1<sup>st</sup> week June 2016.
- IV. Upgrading the ground floor rooms to cater to the surfers withall required amenities & additional space for equipment storage –Cost approximately Rs. 8 Million –To commence work during 4<sup>th</sup>week of May 2016.
- V. To construct Water Theme Park for Children –Cost approximately Rs. 10M –To commence construction during 2<sup>nd</sup> week of November 2016.

Therefore, the property of the Company, Hotel Citrus Hikkaduwa was closed for a one month from 01 May 2016 and completed the above work No. 01 and No. 04 incurring a cost of Rs. 16.3 Mn.

#### **06 Events Subsequent to the Reporting Date**

- 6.1 Under the proposed restructuring plan announced, Hikkaduwa Beach Resort PLC a subsidiary of Citrus Leisure PLC is to make a Voluntary Offer in terms of the Company Take-overs and Mergers Code 1995 to purchase 201,746,915 shares of Waskaduwa Beach Resort PLC constituting the 100% of the shares in issue, at a consideration of 5 shares of Hikkaduwa Beach Resort PLC being issued for every 12 shares of Waskaduwa Beach Resort PLC held by a shareholder of Waskaduwa Beach Resort PLC; consequently new shares not exceeding 84,061,215 of Hikkaduwa Beach Resort PLC would be issued to Waskaduwa Beach Resort PLC shareholders, depending on the level of acceptance of the voluntary offer. The said new shares of Hikkaduwa Beach Resort PLC being issued at an issue price of Rs 24 per share was considered by the board of Hikkaduwa Beach Resort PLC as fair as reasonable to Hikkaduwa Beach Resort PLC and to the shareholders of Hikkaduwa Beach Resort PLC.

Hikkaduwa Beach Resort PLC made an Offer to the Board of Waskaduwa Beach Resort PLC in terms of Rule 3 of the Code and simultaneously, forwarded an Announcement in terms of Rule 9 of the Code to the Securities and Exchange Commission of Sri Lanka for the approval of the SEC as required by Rule 18 of the Code.

Hikkaduwa Beach Resort PLC is to amalgamate with Kalpitiya Beach Resort PLC, the consideration being, that a shareholder of Kalpitiya Beach Resort PLC holding 12 shares shall receive 5 shares of Hikkaduwa Beach Resort PLC; consequently, 67,166,754 new shares of Hikkaduwa Beach Resort PLC will be issued to Kalpitiya Beach Resort PLC shareholders in place of 161,200,210 shares held by the shareholders in Kalpitiya Beach Resort PLC;



## **HIKKADUWA BEACH RESORT PLC**

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### **NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 30TH SEPTEMBER 2016**

#### **06 Events Subsequent to the Reporting Date (Contd..)**

Hikkaduwa Beach Resort PLC is to amalgamate with Passikudah Beach Resorts Ltd the consideration being, that the sole shareholder of PBR, namely Citrus Leisure PLC, holding 1 share shall receive 688,268 shares of Hikkaduwa Beach Resort PLC; consequently, subject to the conditions set out above being fulfilled, 688,268 new shares of Hikkaduwa Beach Resort PLC will be issued to Citrus Leisure PLC, in place of the share it holds in Passikudah Beach Resort Limited.

6.2 First and final dividend of Rs. 0.10 per share for the financial year 2015/16 was paid on 14th October 2016 computed based on 57,573,897 shares on issue.

#### **07 Contingencies**

There has not been a significant change in the nature of the contingent liabilities, which were disclosed in the Annual Report for the year ended 31st March 2016.

#### **08 Comparative Figures**

Where necessary, comparative figures have been re-stated to conform with SLFRS/LKAS.

#### **09 Tax Expense**

The profit relating to the hotel operation is exempt from income tax for 6 years reckoned from the commencement of the year of assessment in which such undertaking commences to make profits from transactions entered in to in that year of assessment or from the commencement of the year of assessment immediately succeeding the year of assessment in which such undertaking completes a period of two years reckoned from the date on which such undertaking commences to carry on commercial operations, whichever occurs earlier. Accordingly tax exemption will expire in 2016/17.

## Corporate Information

- Name of Company** : Hikkaduwa Beach Resort PLC
- Legal Form** : Public Quoted Company with limited liability Incorporated in Sri Lanka.
- Stock Exchange Listing** : The issued ordinary shares of the Company are listed on Colombo Stock Exchange of Sri Lanka.
- Company Registration No.** : PB 4520 Q
- Registered Office** : No: 07/05, Gregory's Road, Colombo 07  
Telephone : 0115755055  
Fax : 0115 470000  
E-mail : direct@citrusleisure.com  
Website : www.citrusleisure.com
- Board of Directors** : Mr.E.P.A Cooray (Chairman )  
Mr. D.S Jayaweera  
Mr. S.A. Ameresekere  
Mr. P.V.S Premawardhana  
Mr. R. Seneviratne
- Chief Executive Officer** : Mr. P. C. B. Talwatte
- Company Secretaries** : P W Corporate Secretarial (Pvt) Ltd.  
No.3/17, Kynsey Road,  
Colombo 08.
- Auditors** : Ernst & Young  
Chartered Accountants  
201, De Saram Place,  
Colombo 10.
- Bankers** : Sampath Bank PLC  
Commercial Bank of Ceylon PLC  
Bank of Ceylon  
Pan Asia Banking Corporation PLC  
Nations Trust Bank PLC  
Hatton National Bank PLC