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My Ref. : 2017/Misc./348/ML

Your Ref. :

Date: August 26, 2017

**VALUATION REPORT
OF**

**The Property Depicted As Lot 1 In Plan No: 2167 Dated
29.01.2008 Made By Y K D A Senaratne, Licensed Surveyor.**

1.0. PREAMBLE

This valuation report is prepared on the instructions given by Mr. Wasula Wijegunawardana, Managing Director, Seerock "The Kings Domain", Indigaswewa, Sigiriya, for the purpose of determining **Fair Value** of the Business as at present.

2.0. DATE OF INSPECTION

20th August 2017

3.0. SCOPE OF WORK

This report is prepared in compliance with the SLFRS 13, and International Valuation Standard incorporated in RICS Valuation – Professional Standards 2014, commonly referred to as the 'Red Book' published by the Royal Institution Chartered surveyors, UK, January, 2017. Assumptions and methods used are appropriate for the purpose. I have obtained all relevant information for the purpose of my report.

I am independent in terms of the code of ethics of my profession, and there were no circumstances that impair or even appear to impair the objectivity of my work.

Sri Lanka Accounting standards, SLFRS 13 defines **Fair Value** as 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'.

Further, International Valuation standards defines **Fair Value** as 'the amount for which an asset could be exchanged or a liability settled between knowledgeable willing parties in an arm's length transaction'.

Market value is defined as ‘the estimated amount for which a property should exchange on the date of the valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion.

4.0. BUSINESS VALUATION APPROACH

The principle valuation approaches are as below.

1. Market Approach
2. Income Approach and
3. Cost Approach.

Market Approach provides an indication of value by comparing assets with identical or comparable assets, for which price information is available.

Income approach provides an indication of value by converting future cash flow to a single current value.

Cost Approach provides an indication of value using the economic principle that a buyer will pay no more for an asset than the cost to obtain an asset of equal utility, whether by purchase or by construction, unless undue time, inconvenience, risk or other factors are involved.

For the subject property there are no comparable sales found in the open market. Therefore, Market approach cannot be adopted to value this property.

By the Income Approach, the value of the asset is determined by reference to the value of income, cash flow and cost savings generated by the asset. The subject property has just begun its business and historical data of income and expenditure is not available. But in other circumstances, although the subject asset has not yet begun generating income, but is projected to do so, the Income Approach can be applied. In such a circumstance, any other approach can be applied and weighted to corroborate the value indication from the income approach.

Thus, I apply Cost Approach as well as Income Approach based on projected income, to value this subject business.

Details of the subject property are given below.

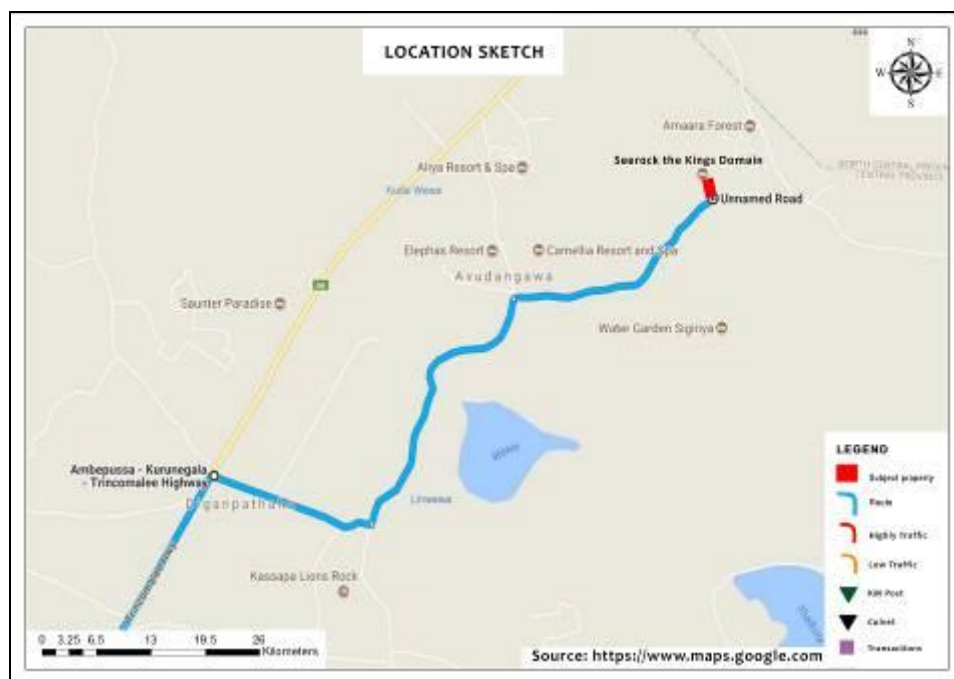
4.0. SITUATION

The subject property, named “Seerock The Kings Domain” is situated at Indigaswewa village within Dambulla Pradeshiya Sabha in the Secretariat Division of Dambulla, Inamaulwa Korale, Matale District, Central Province.

5.0. ACCESS AND NATURE OF ACCESSIBILITY

- 5.1.** From Clocktower junction of Dambulla, proceed along Trincomalee Road for about 17.2km up to Digampathana, turn right on to the road leading to “Aliya Resort” and proceed for about 1km. Then turn left and proceed for about 1.2km. The subject property lies on the left hand side of the road and fronting it, Named “Seerock The King’s Domain”.
- 5.2.** Dambulla – Trincomalee Road is a highway. All other mentioned roads are gravelly and mortorable Pradeshiya Sabha roads. The property in question has a broad frontage to Pradeshiya Sabha road and it enjoys direct public access over the same.

5.3. Location Sketch



6.0. DESCRIPTION OF PROPERTY

6.1. Identification

The property to be valued is identified as the land depicted as Lot 1 in Plan No: 2167 dated 29.01.2008 made by Y K D A Senaratne, Licensed Surveyor. This Survey Plan has been approved by the Pradeshiya Sabha on 13.03.2012.

6.2. Ownership

M/S. Wijegunawardhana Brothers (Pvt.) Ltd has got the freehold interest to the property by virtue of the deed of transfer No: 6526 dated 06.11.2005 attested by Jayampathi Rathnadiwakara, NP. I value the **unencumbered freehold interest** of the same.

6.3. Name of Land

Divided Lot 1 of land called Indihena.

6.4. Boundaries

- North By** - Ela reservation – Live fence and bank.
East By - Ela reservation – Live fence and bank.
South By - Digampathana – Avudangawa Road – 8 feet high boundary wall and 20 feet wide double sashes gate.
West By - Ela reservation – Live fence and bank.

All boundaries were checked and identified by me on the ground and found correct.

6.5. Extent

Lot No:	Acre	Rood	Perches	
1	9	0	18.00	(3.6887Hect)

6.6. Description of Land

This is an irregular shaped, generally flat block of land enjoying motorable road frontage of about 300 feet along its entirety of southern boundary to Digampathana – Avudangawa Road. The average depth of the land is about 1,325 feet. The land lies at the level of the access road and stretches as a flat land up to the rear boundaries. There is a 8 feet high boundary wall constructed to cover the front boundary with a double sashes steel gate to the entrance. The soil is mixed sandy, firm and load bearing. Boundaries have been demarcated on the ground and protected as described at Sec. 6.4 above. Water table is about 20 feet and the land is not subject to floods, inundation or water logging. There is a water course with its reservation, which is bordering to three boundaries of the subject land, except the front boundary. Also there are few large scale artificial ponds within the land and many buildings have been designed within the ponds, which are supported and constructed on adequate number of RCC piles.

The vacant area of the land is landscaped, with walkways, flower beds and lawns. As vegetation the land contains a number of fruit trees inclusive of orange, avocado, cashew, coconut etc. which were planted methodically. There is a driveway constructed from entrance gate up to the main entrance porch of the hotel. The driveway is fully gravelly.

This land has been developed with a tourist resort complex containing main restaurant and office building, six nos. shale's (twin six units), swimming pool, three quarters and entrance porch, of which the descriptions are given below.

6.7. Description of Buildings

The Tourist Complex has been developed consisting of an architecturally designed, two storied Restaurant, kitchen cum office building, 12 nos. Shale's, Entrance porch, swimming pool complex, all are constructed under the approved Building Plan No: BA/2015/17 dated 25.09.2015 by the Dambulla Pradeshiya Sabha.



Fig. 01 – Aerial View of the resort



Fig. 02 – Aerial View of resort (from rear)



Fig. 03 – View from front



Fig. 04 – View from road with entrance



Fig. 05 – Entrance

Detail Description of the Buildings is as follows:

6.7.1. Restaurant, Kitchen cum Office Building

This is an architecturally designed and elegantly constructed, two stories building. It is a high roof building and generally a columnar structure. This is constructed at the center of an artificial pond and it can be approached over three bridges, constructed about 3 feet above the water level. The main entrance bridge is a RCC slab, fully lined with terracotta and supported on RCC pillars. Sides are protected with a row of colorful flower beds. Different views of the building are given in Fig. 06 -18 below.



Fig. 06 – View from front with entrance lobby



Fig. 07 – View from front



Fig. 08 – View from front



Fig. 09 – View of restaurant with ponds



Fig. 10 – View from front left



Fig. 11 – View from left



Fig. 12 – Upper floor restaurant



Fig. 13 – Upper floor restaurant



Fig. 14 – Upper floor entrance lobby



Fig. 15 – Upper floor restaurant



Fig. 16 – Ground floor office



Fig. 17 – Stairway to upper floor



Fig. 18 – Ground floor restaurant

The first floor is constructed with a colorcon tile roof on sawn timber framework, sealed underneath with special type ceiling with special lighting effects, supported on brick masonry walls in RCC columns and beams structure, plastered and colour washed. No side walls. The floor is a RCC slab, lined with coconut rafters for restaurant and the balance is lined with ceramic tiles. Sides are protected with box iron railings with wooden balustrades. The internal arrangements of the restaurant and the bar are that, although all work had been done with RCC, they look like finished with wood.

Access to this floor is by way of a “H” iron structure stairway leading from middle of the front bridge. Steps are designed with planks and protected with box iron railings with wooden balustrades. In addition to the main entranceway there is a service stairway too provided at rear. Adequate number of ceiling fans too are supplied.

The construction of ground floor too is similar to above except the followings. The roof is the upper floor RCC slab, underneath soffit plastered for the ceiling with lighting effects. Outside of the walls are wire cut bricks. The floor of restaurant area is fully lined with rough granite and the balance is lined with 2'X2' ceramic tiles. In addition to the main entranceway there are two bridges too provided from sides. The office section is fully air-conditioned with split type air-conditioners. Adequate number of ceiling fans is supplied. The walls up to 5 feet high and the floor of attached bathrooms are lined with ceramic tiles and they are supplied with a commode, wash basin, bidet shower and a shower each. All fittings are imported. The doors are paneled and the windows are glazed in anodized aluminum frames. All internal partitioning in office are with half glazed and half MDF boards in aluminum frames.

Accommodation	: Ground Floor : Lounge, office area, passage, kitchen, two attached washrooms, beverage stores and wine callers, house keeper store room, food store, gift shop and three toilets.
	First Floor : Restaurant hall, bar and dining hall.
Conveniences	: Electricity, pipe borne water, ceiling fans, hot water facility, two attached bathrooms and three toilets, CCTV camera and telephone.
Age and Condition	: One year old and maintained in an excellent condition.
Occupation	: Owner occupied and running a Tourist Lodge Complex named "Seerock the Kings Domain Hotel".
Floor Area	: Ground Floor : 2,691 square feet
	First Floor : 3,430 " "

	Total : 4,121 " "

6.7.2. Similar type Twin 6 Units Individual Shale's

This is an architecturally designed and elegantly constructed, single stories building. This is constructed at the middle of an artificial pond and it can be approached over three bridges, two from front and one from rear. It is lies about 3 feet above the water level. The bridge is constructed with a RCC slab, fully lined with terracotta and supported on RCC pillars. Every chalet consists of two individual bed rooms. Some of the views of the chalets are given below.



Fig. 19 – View of a chalet from front



Fig. 20 – View of a chalet (closer view)



Fig. 21 – View of a chalet from rear



Fig. 22 – A bed room



Fig. 23 – Private Swimming Pool



Fig. 24 – View of bathroom with Jacuzzi



Fig. 25 – View of bathroom

As shown in Fig. 19 – 21, there are 6 nos. similar type chalets, except two chalets. Those are constructed with colorcon tile roof on sawn timber framework, sealed underneath with tongue and grooved planks with exposed rafters, both internally and externally, supported on brick masonry walls, plastered and color washed. The floor of inside is concreted and lined with coconut planks and balance is lined with ceramic tiles. Doors are of paneled, whilst the windows are glazed in anodized aluminum frames. The walls up to five feet high and the floor of attached bathrooms are lined with ceramic tiles. It is supplied with a commode, wash basin, shower with Jacuzzi. All are air conditioned with split type air conditioners. Construction of all chalets is similar, except two chalets which are supplied with individual mini swimming pools. Adequate numbers of fire extinguishers are provided. Each one is supplied with a solar panel for hot water facility.

Accommodation : Two rooms with two attached bathrooms in each chalet (two chalets consists of private pools).

Convenience : Electricity, pipe borne water, two attached bathrooms, air conditioning, ceiling fans, telephones, safe, refrigerator, fire extinguishers, hot water facility.

Age and Condition : About one year old and maintained in an excellent condition.

Occupation : Owner occupied and running a Tourist Lodge Complex named “Seerock the Kings Domain Hotel”.

Floor Area : **1,442** square feet each

6.7.3. Entrance porch

This is an architecturally designed and elegantly constructed, open car porch. It is a high roof building. Eve’s height is 12 ½ feet whilst the ridge plate height is 18 ½ feet. Front elevation of the building is given in Fig. 13 below.



Fig. 26 – View from front

This is constructed with colorcon tile roof on sawn timber framework, sealed underneath with tongue and grooved plank with exposed rafters, both internally and externally, supported on four RCC pillars, plastered and color washed. The floor is concreted and lined with terracotta.

Floor Area : **400** square feet

6.7.4. Swimming Pool

This is an elegantly constructed swimming pool; designed with an artificial fountain.



Fig. 27 – View from left



Fig. 28 – View from front



Fig. 29 – View of artificial fountain

The depth of pool is 5 feet and the depth of baby pool is 4 feet. Pool area is fully lined with 1'X1' ceramic tiles. Side of pool is lined with cement interlocks. **Pool area: 1,225 square feet.**

6.7.5. Staff/Driver Quarters

This is an architecturally designed, single storied quarters. This is constructed with Calicut tile roof of on sawn timber framework sealed underneath with flat asbestos sheet with exposed rafters, both internally and externally, supplied with ceiling fans, supported on brick masonry walls, plastered and colour washed. Eaves are supplied with valance boards, PVC gutters and down pipes. The floor is concreted and cemented. The doors are of paneled in timber frames whilst the windows are glazed in timber frames. The floor and the walls up to 5 feet high of the attached bathroom are lined with ceramic tiles and supplied with a commode, wash basin and a shower.

Accommodation : Two dormitories with three attached bathrooms.

Conveniences : Electricity, pipe borne water, telephone, three attached bathroom, ceiling fans.

Age and Condition : About one year and maintained in a good condition.

Floor Area	: Staff quarters	: 235 square feet
	Male quarters	: 525 „ „
	Total	: 760 „ „

6.7.6. Executive Quarters & Female Quarters

Construction of this building too is similar to above.

Accommodation	: Executive Quarters	: Living, three bed rooms with one attached bathroom.
	Female Quarters	: Living, three bed rooms with one attached bathroom.

Conveniences : Electricity, pipe borne water, telephone, three attached bathroom, ceiling fans.

Age and Condition	: Completed one year back and maintained in a good condition.		
Floor Area	: Executive Quarters	: 540	square feet
	Female Quarters	: 540	„ „

	Total	: 1,080	„ „

6.7.7. Managers Quarters

Construction of this building too is similar to above.

Accommodation	: Living, pantry, two bed rooms with one attached bathroom.
Conveniences	: Electricity, pipe borne water, telephone, three attached bathroom, ceiling fans.
Age and Condition	: Completed one year back and maintained in a good condition.
Floor Area	: 547 square feet

6.7.8. Generator Room

This is a solidly constructed, single storied building. Different views of the building are given below.



Fig. 30 – View from front



Fig. 31 – View of inside

This is constructed with amano roofing sheets roof of on box iron framework, supported on brick masonry walls, plastered and colour washed. The floor is concreted and rendered with cement. The doors are of steel.

Accommodation	: Single hall.
Age and Condition	: Completed one year back and maintained in a good condition.
Floor Area	: 270 square feet

6.7.9. Water Purifying Plant Canopy

This is a solidly constructed, single storied building. Different views of the building are given below.



Fig. 32 – View from front



Fig. 33 – View of inside

This is constructed with amano roofing sheets roof of on box iron framework, supported on brick masonry walls, plastered and colour washed. The floor is concreted and rendered with cement. The doors are of steel doors.

Accommodation : Single hall.

Age and Condition : Completed one year back and maintained in a good condition.

Floor Area : 100 square feet

(The above description of the building is given for the purpose of this valuation only and it should not be considered as a structural survey of the building)

6.7. Conveniences Provided in Common and Occupation

Three Phase Electricity with 100KVA transformer with 100KVA backup generator (Brand – Cooper – CDA101003E12), pipe borne water service with water purifying system with all machineries, 2 nos. 10,000 ltr and one 5,000 ltr water tanks, telephone.



Fig. 34 – Water Tanks



Fig. 35 – water pureeing plant



Fig. 36 – Backup generator



Fig. 37 – Panel boards

The entire property is occupied by the applicant company as its Hotel and office under the name “**Seerock the Kings Domain Hotel**”.

7.0. EFFECT OF STREET LINE ETC.

The subject property is located within the Pradeshiya Sabha limits of Dambulla and there are no sanctioned street lines. I presumed that the building limit along the road is 25 feet and the buildings thereon not affected by building limits.

8.0. LOCALITY

The subject property is located in a well-developed hotel area about 2.2km away from Digampathana on Dambulla - Trincomalee main Road. The distance to Dambulla town centre is about 19.5km. Along sides of the road leading to the subject property is fairly thickly populated and a number of tourist guest houses and resorts are located in the vicinity as shown in Fig: 30 below.

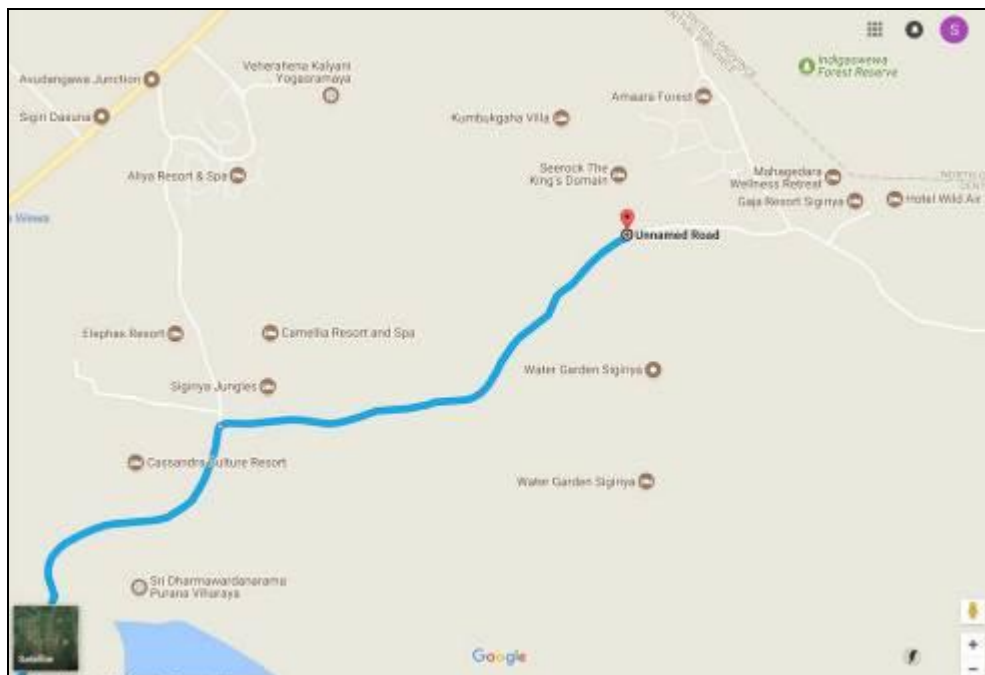


Fig. 38 – Google image

There are large numbers of hotels and resorts around the subject property, namely, Gemini Villa, Kubukgaha, Sigiriya Jungles, Alaiya Resort, Cassandra Culture Resort, Water Garden Sigiriya, Camellia Resort and Spa, Elephas Resort, Mahagedara Wellness Retreat, Hotel Wild Air, Gaja Resort Sigiriya and Amaara Resort. Amaara Resort is situated about 250m away from the subject property. The main drawback for development is the restriction of alienation of lands as they are given on state grants. Famous Sigiriya Rock is located within the area and it is the main attraction of the locality, drawing many number of tourists, both local and foreign. The area is supplied with most of the infrastructural facilities inclusive of electricity, pipe borne water and telephone services. All necessary facilities for day to day life are more extensively obtained from Dambulla town. There is a regular public transport service along Dambulla - Trincomalee highway through Inamaluwa and Dambulla to all parts of the country. There is a fair demand for properties in the locality and this current trend in the real estate market will prevail in the future too.

9.0. EVIDENCE OF VALUE

- 9.1.** The general site value in the locality varies from Rs. 100,000/= to Rs. 150,000/= per perch for even for larger lands, suitable for tourist development, depending on the location and size of the plot.

10.0. APPROACH TO THE VALUATION

- 10.1.** The property to be valued is an architecturally designed and attractively constructed, Tourist Complex, having a two storied restaurant building, six chalets, three quarters and swimming pool and their appurtenant land, located in a well-developed hotel locality at Indigaswewa, about 2.2km away from Digampathana junction on Dambulla – Trincomalle highway within the Pradeshiya Sabha limits of Dambulla.
- 10.2.** Generally Hotels are valued on Income Approach, by analyzing the income earned, for last three years or so. As business of the subject property has just begun in January 2017, there is hardly any accounts to analyze and to value the property on Income Basis.
- 10.3.** Hotels are considered as special type of properties, where the value reflects on income earned, which is generally a higher value over and above the basic value calculated on Cost Basis. Value on Cost Basis is considered as accurate until it is proved otherwise based on Income. However an investor would expect a return based on the basic value obtained by adopting Cost Basis and extra profits is expected from a business of this nature as risk is more, which is to be determined on actual income earned or earns.
- 10.5.** In view of the present demand for commercial lands in the area, as indicated at Sec. 9.1 above, and especially considering the site improvements carried out in the land inclusive of bunt created around three boundaries of the land avoiding flood water coming in from Sigiriya Oya, creating artificial ponds, access road and walk paths, turfing, planting more than 200 rout ball trees, parapet wall with front entrance gate, paving, landscaping etc. I adopt a rate of Rs. 250,000/= per perch for the land and value the property as below. Value of Lion structure, Furniture and equipment, cutlery and crockery, glassware and utensils, were added at cost.

11.0. VALUATION

Land – 9A0R18.0P @ Rs. 250,000/= per perch

Rs. 364,500,000/=

Add – Value of Buildings –

No:	Description	No of units	Floor Area sq.ft	Rate per sq.ft.	Value of Buildings
1	Individual Chalets	6	1,442	9,500	82,194,000
2	Restaurant, Kitchen	1	6,400	7,500	48,000,000

	cum Office building				
3	Entrance Porch	1	400	5,000	2,000,000
4	Staff/Driver Quarters	1	760	4,000	3,040,000
5	Executive Quarters & Female Quarters	1	1,080	4,000	4,320,000
6	Managers Quarters	1	547	4,000	2,188,000
7	Swimming Pool with waterfall at head of pool	1	1,225	7,500	9,187,500
8	Generator Room	1	270	500	135,000
9	Water Purification Plant Canopy	1	100	500	50,000
Total Market Value of Buildings					151,114,500

Market Value of Land & Buildings	Rs. 515,614,500/=
Add – Lion Structure	Rs. 850,000/=
Furniture, fittings and equipment (rooms)	Rs. 15,764,000/=
Furniture, fittings and equipment (Restaurant, kitchen and Bar)	Rs. 10,894,000/=
Cutlery, crockery and glassware	899,550/=
Services M & E	Rs. 15,800,000/=
Fair Value	Rs. 559,822,050/=
Say	Rs. 560,000,000/=

In view of the real estate market behavior in the locality and considering the above results, I place the **Fair Value** of the property at **Rs. 560.0mn.**

12.0. CONCLUSION

Therefore, I am of the opinion that the **Fair Value** of the Hotel “Seerock - The Kings Domain”, depicted as Lot 1 in Plan No: 2167 dated 29.01.2008 made by Y K D A Senaratne, Licensed Surveyor is as below.

12.1. Fair Value as at 20.08.2017 : Rs. 560,000,000/= (Five hundred and sixty million)

P.W.SENARATNE,
Chartered Valuation Surveyor.