

PEGASUS HOTELS OF CEYLON PLC

INTERIM REPORT FOR THE YEAR ENDED 31ST MARCH 2017

PEGASUS HOTELS OF CEYLON PLC
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME - GROUP
(All figures are in Sri Lankan Rupees Thousands)

	Three months ended			Year ended		
	31st March			31st March		
	2017	2016	Change %	2017	2016	Change %
Revenue	174,650	173,588	1	543,200	582,209	(7)
Direct costs	(95,227)	(90,770)	5	(334,442)	(320,540)	4
Gross profit	79,423	82,818	(4)	208,758	261,669	(20)
Other income	2,403	1,955	23	8,633	8,652	-
Selling and promotional expenses	(939)	(7,721)	(88)	(23,912)	(24,015)	-
Administrative expenses	(41,292)	(40,217)	3	(157,496)	(137,129)	15
Other operating expenses	(19,261)	-	-	(19,261)	-	-
Profit from operations	20,334	36,835	(45)	16,722	109,177	(85)
Finance income	5,545	7,320	(24)	27,315	24,520	11
Finance costs	(39)	-	-	(39)	-	-
Net finance income	5,506	7,320	(25)	27,276	24,520	11
Profit before taxation	25,840	44,155	(41)	43,998	133,697	(67)
Income tax expenses	15	(1,690)	(101)	(1,112)	(7,889)	(86)
Deferred taxation	(2,043)	(1,691)	21	(1,343)	(5,133)	(74)
Profit for the period	23,812	40,774	(42)	41,543	120,675	(66)
Other comprehensive income						
Actuarial gain / (loss) from valuation of employee benefits	1,420	(1,485)	(196)	1,420	(1,485)	(196)
Revaluation of property, plant and equipment	630,324	-	-	630,324	-	-
Related tax	(26,122)	178	(14,775)	(26,122)	178	(14,775)
Other comprehensive income / (expense) for the period	605,622	(1,307)	(46,437)	605,622	(1,307)	(46,437)
Total comprehensive income for the period	629,434	39,467	1,495	647,165	119,368	442
Earnings per share (Rs.)	0.78	1.34		1.37	3.97	
Dividend per share (Rs.)	0.50	0.50		0.50	0.50	

Change % represent the percentage change in current period's results compared to the comparative period of previous year.

Figures in brackets indicate deductions.

PEGASUS HOTELS OF CEYLON PLC
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME - COMPANY
(All figures are in Sri Lankan Rupees Thousands)

	Three months ended			Year ended		
	31st March			31st March		
	2017	2016	Change %	2017	2016	Change %
Revenue	147,583	145,689	1	442,612	484,709	(9)
Direct costs	(79,962)	(74,759)	7	(274,171)	(262,413)	4
Gross profit	67,621	70,930	(5)	168,441	222,296	(24)
Other income	1,382	1,315	5	5,593	6,008	(7)
Selling and promotional expenses	18	(7,156)	(100)	(20,364)	(21,204)	(4)
Administrative expenses	(32,251)	(32,360)	-	(127,915)	(112,183)	14
Other operating expenses	(19,261)	-	-	(19,261)	-	-
Profit from operations	17,509	32,729	(47)	6,494	94,917	(93)
Finance income	4,802	7,026	(32)	25,792	26,780	(4)
Finance costs	(39)	-	-	(39)	-	-
Net finance income	4,763	7,026	(32)	25,753	26,780	(4)
Profit before taxation	22,272	39,755	(44)	32,247	121,697	(74)
Income tax expenses	543	(1,216)	(145)	328	(6,002)	(105)
Deferred taxation	(2,106)	(1,676)	26	(1,428)	(5,186)	(72)
Profit for the period	20,709	36,863	(44)	31,147	110,509	(72)
Other comprehensive income						
Actuarial gain / (loss) from valuation of employee benefits	386	(1,354)	(129)	386	(1,354)	(129)
Revaluation of property, plant and equipment	530,836	-	-	530,836	-	-
Related tax	(14,060)	162	(8,779)	(14,060)	162	(8,779)
Other comprehensive income / (expense) for the period	517,162	(1,192)	(43,486)	517,162	(1,192)	(43,486)
Total comprehensive income for the period	537,871	35,671	1,408	548,309	109,317	402
Earnings per share (Rs.)	0.68	1.21		1.02	3.64	
Dividend per share (Rs.)	0.50	0.50		0.50	0.50	

Change % represent the percentage change in current period's results compared to the comparative period of previous year.

Figures in brackets indicate deductions.

PEGASUS HOTELS OF CEYLON PLC
STATEMENT OF FINANCIAL POSITION
(All figures are in Sri Lankan Rupees Thousands)

As at 31st March	Group		Company	
	2017	2016	2017	2016
ASSETS				
Non-current assets				
Property, plant and equipment	2,010,067	1,186,133	1,880,024	1,154,428
Intangible assets	115,287	115,287	-	-
Investment in subsidiary	-	-	110,223	110,223
Compensation receivable	152,396	136,678	152,396	136,678
Total non-current assets	2,277,750	1,438,098	2,142,643	1,401,329
Current assets				
Inventories	22,007	16,159	18,440	12,720
Fair value through profit or loss financial assets	-	180,146	-	180,146
Trade and other receivables	84,957	54,985	76,352	46,834
Cash and cash equivalents	41,509	32,976	5,224	16,729
Total current assets	148,473	284,266	100,016	256,429
Total assets	2,426,223	1,722,364	2,242,659	1,657,758
EQUITY AND LIABILITIES				
Equity				
Stated capital	515,170	515,170	515,170	515,170
Capital reserves	1,279,471	675,099	1,191,921	675,099
Revenue reserves	405,581	377,984	355,731	339,440
Total equity	2,200,222	1,568,253	2,062,822	1,529,709
Non-current liabilities				
Deferred tax liability	66,979	39,514	53,526	38,038
Employee benefits	16,021	16,450	10,483	9,610
Loans and borrowings	6,550	-	-	-
Total non-current liabilities	89,550	55,964	64,009	47,648
Current liabilities				
Trade and other payables	135,110	93,885	115,622	77,825
Current tax liabilities	1,286	4,262	151	2,576
Bank overdraft	55	-	55	-
Total current liabilities	136,451	98,147	115,828	80,401
Total liabilities	226,001	154,111	179,837	128,049
Total equity and liabilities	2,426,223	1,722,364	2,242,659	1,657,758
Net assets per share (Rs.)	72.40	51.60	67.87	50.33

The Statement of Financial Position as at 31st March 2017 and the related Statements of Profit or Loss and Other Comprehensive Income, Changes in Equity and Cash Flow for the period then ended as disclosed in pages 1 to 6 have been drawn up from audited financial statements.

I certify that these financial statements are in compliance with the requirements of Companies Act No. 7 of 2007.

(Sgd).

V.R. Wijesinghe
Financial Controller
Carsons Management Services (Private) Limited

The Board of Directors is responsible for the preparation and presentation of these financial statements.

Approved and signed on behalf of the Managers,

Approved and signed on behalf of the Board,

(Sgd).

A.P. Weeratunge
Director
Carsons Management Services (Private) Limited

(Sgd).

D.C.R. Gunawardena
Chairman

(Sgd).

K. Selvanathan
Director

15th May 2017

PEGASUS HOTELS OF CEYLON PLC
STATEMENT OF CHANGES IN EQUITY
(All figures are in Sri Lankan Rupees Thousands)

Group	Stated capital	Capital reserves	Revenue reserves	Total equity
Balance as at 1st April 2015	515,170	675,099	282,152	1,472,421
Super Gain Tax for the year of Assessment 2013/14 *	-	-	(8,340)	(8,340)
Adjusted balance as at 1st April 2015	515,170	675,099	273,812	1,464,081
Profit for the year	-	-	120,675	120,675
Other comprehensive expense for the year	-	-	(1,307)	(1,307)
Total comprehensive income for the year	-	-	119,368	119,368
Dividend 2014/15	-	-	(15,196)	(15,196)
Balance as at 31st March 2016	515,170	675,099	377,984	1,568,253
Balance as at 1st April 2016	515,170	675,099	377,984	1,568,253
Profit for the year	-	-	41,543	41,543
Other comprehensive income for the year	-	604,372	1,250	605,622
Total comprehensive income for the year	-	604,372	42,793	647,165
Dividend 2015/16	-	-	(15,196)	(15,196)
Balance as at 31st March 2017	515,170	1,279,471	405,581	2,200,222

Company	Stated capital	Capital reserves	Revenue reserves	Total equity
Balance as at 1st April 2015	515,170	675,099	252,020	1,442,289
Super Gain Tax for the year of Assessment 2013/14 *	-	-	(6,701)	(6,701)
Adjusted balance as at 1st April 2015	515,170	675,099	245,319	1,435,588
Profit for the year	-	-	110,509	110,509
Other comprehensive expense for the year	-	-	(1,192)	(1,192)
Total comprehensive income for the year	-	-	109,317	109,317
Dividend 2014/15	-	-	(15,196)	(15,196)
Balance as at 31st March 2016	515,170	675,099	339,440	1,529,709
Balance as at 1st April 2016	515,170	675,099	339,440	1,529,709
Profit for the year	-	-	31,147	31,147
Other comprehensive income for the year	-	516,822	340	517,162
Total comprehensive income for the year	-	516,822	31,487	548,309
Dividend 2015/16	-	-	(15,196)	(15,196)
Balance as at 31st March 2017	515,170	1,191,921	355,731	2,062,822

* As per the provisions of Part III of the Finance Act, No. 10 of 2015, although Pegasus Hotels of Ceylon PLC, the Company, and Equity Hotels Limited, the subsidiary company, did not become liable to pay Super Gain Tax as stand-alone entities, the two companies paid Rs. 6.7 mn and Rs. 1.6 mn respectively as Super Gain Tax on the basis that the said Companies are part of the Bukit Darah PLC group, of which the consolidated profit before tax exceeded the threshold as stipulated in the aforesaid Act. According to the Act, the Super Gain Tax shall be deemed to be an expenditure in the financial statements relating to the year of assessment which commenced on 1st April 2013. The Act supersedes the requirements of the Sri Lanka Accounting Standards and hence the expense of Super Gain Tax is accounted in accordance with the requirements of the said Act as recommended by the Statement of Alternative Treatment (SoAT) on Accounting for Super Gain Tax issued by the Institute of Chartered Accountants of Sri Lanka, dated 24th November 2015.

Figures in brackets indicate deductions.

PEGASUS HOTELS OF CEYLON PLC
STATEMENT OF CASH FLOW
(All figures are in Sri Lankan Rupees Thousands)

For the year ended 31st March	Group		Company	
	2017	2016	2017	2016
Cash flows from operating activities				
Profit before taxation	43,998	133,697	32,247	121,697
Adjustments for:				
Interest income on placement with banks and government securities	(3,673)	(5,933)	(1,830)	(5,141)
Net change in fair value of fair value through profit or loss financial assets	(7,662)	(4,146)	(7,662)	(4,146)
Dividend income	-	-	(370)	(3,085)
Unwinding of discount on compensation receivable	(15,718)	(14,133)	(15,718)	(14,133)
Interest expenses on bank borrowings	39	-	39	-
Depreciation on property, plant and equipment	45,318	43,450	41,233	39,179
Loss / (profit) on disposal of property, plant and equipment	19,261	(812)	19,261	(783)
Provision for employee benefits	3,758	3,203	2,616	2,107
Provision made / (reversal of provision) for impairment of trade receivables of trade receivables	923	(921)	594	(921)
Profit before working capital changes	86,244	154,405	70,410	134,774
(Increase) / decrease in inventories	(5,848)	(3,098)	(5,720)	(3,548)
(Increase) / decrease in trade and other receivables	(30,895)	(7,899)	(30,112)	(6,858)
Increase / (decrease) in trade and other payables	41,130	28,977	37,702	29,099
Cash generated from operations	90,631	172,385	72,280	153,467
Employee benefits paid	(2,767)	(733)	(1,357)	(590)
Income tax paid	(4,088)	(17,616)	(2,097)	(15,337)
Net cash generated from operating activities	83,776	154,036	68,826	137,540
Cash flows from investing activities				
Purchase of property, plant and equipment	(261,024)	(76,356)	(258,017)	(66,329)
Proceeds from disposal of property, plant and equipment	2,835	5,443	2,763	5,318
Disposal of / (Investment in) fair value through profit or loss financial assets	187,808	(176,000)	187,808	(176,000)
Interest received	3,673	5,933	1,830	5,141
Dividend received	-	-	370	3,085
Net cash used in investing activities	(66,708)	(240,980)	(65,246)	(228,785)
Cash flows from financing activities				
Dividend paid	(15,101)	(15,097)	(15,101)	(15,097)
Loans and borrowings repaid during the period	6,550	-	-	-
Interest paid on bank borrowings	(39)	-	(39)	-
Net cash used in financing activities	(8,590)	(15,097)	(15,140)	(15,097)
Net increase / (decrease) in cash and cash equivalents	8,478	(102,041)	(11,560)	(106,342)
Cash and cash equivalents at the beginning of the year	32,976	135,017	16,729	123,071
Cash and cash equivalents at the end of the year	41,454	32,976	5,169	16,729

Figures in brackets indicate deductions.

PEGASUS HOTELS OF CEYLON PLC
NOTES TO THE INTERIM FINANCIAL STATEMENTS

(All figures are in Sri Lankan Rupees Thousands)

1. Basis of preparation of interim financial statements

The Interim Financial Statements of the Company and the Group have been prepared on the basis of the same accounting policies and methods applied for the year ended 31st March 2017 and are in compliance with Sri Lanka Accounting Standard LKAS 34 - "Interim Financial Reporting". The provisions of the Companies Act No. 7 of 2007 have been considered in preparing these Interim Financial Statements.

2. Events after the reporting period

After satisfying the Solvency Test in accordance with section 57 of the Company's Act, No. 7 of 2007, the Directors have recommended a payment of first and final dividend of Rs. 0.50 (2016 - Rs.0.50) per ordinary share for the year ended 31st March 2017 amounting to Rs.15,195,769/- (2016 - 15,195,769 /-) which is to be approved at the forthcoming Annual General Meeting of the Company. In accordance with Sri Lanka Accounting Standard (LKAS 10) - "Events after the reporting period" this proposed first and final dividend has not been recognized as a liability as at 31st March 2017.

Subsequent to the reporting period, no circumstances have arisen which would require adjustments to or disclosure in the financial statements, other than the above.

3. Contingent liabilities and capital commitments

Capital commitments

As at 31st March	Group		Company	
	2017	2016	2017	2016
Approved and contracted for	-	731	-	731

Contingent liabilities

A case has been filed against the Company by an individual in the District Court of Negombo seeking a declaratory title from court stating that he is co-owner of 127.5 perches of the land that belonged to Pegasus Hotels of Ceylon PLC. The outcome of the court process is still pending. However, the Company is confident that it can establish title to the said land. In any case, the claimed land extent falls within the 1,251 perches of land acquired by the Government for the fisheries harbour project. Since the crystallization of the contingent liability is subject to the ruling of the District Court case followed by the available appeal process thereafter and the subsequent value determination of the claim by the Government valuer, said contingent liability cannot be quantified.

There were no contingent liabilities or commitments other than those disclosed above as at the reporting date

4. Liabilities for expenditure

There were no liabilities for management fees or any similar expenditure not provided for in the interim financial statements.

5. Comparative figures

Previous period's figures and phrases have been re-arranged where necessary to conform to the current period's presentation.

6. Stated capital

The stated capital of the Company as at 31st March 2017 was Rs. 515.17 mn consists of 30,391,538 fully paid Ordinary Shares.

7. Related party transactions

For the Year ended 31st March	Group		Company	
	2017	2016	2017	2016
Transactions with subsidiaries				
Reimbursement of expenses	-	-	997	667
Dividends received	-	-	370	3,085
Transactions with affiliate companies				
Receiving of services	11,543	12,236	8,622	9,700
Purchase of equipment	1,410	-	1,410	-

PEGASUS HOTELS OF CEYLON PLC
NOTES TO THE INTERIM FINANCIAL STATEMENTS
(All figures are in Sri Lankan Rupees Thousands)

08. Twenty major shareholders as at 31st March 2017

Name of Shareholders	Number of Shares	%
1 Carson Cumberbatch PLC A/C No.2	27,347,485	89.98
2 Mr. M.C.C.K. Rodrigo	188,729	0.62
3 Dee Investments (Pvt) Ltd	180,903	0.60
4 Mr. K.C. Vignarajah	174,114	0.57
5 Mrs. V.R. Jayasinghe	121,603	0.40
6 Mr. H.A. Van Starrex	100,000	0.33
7 Mrs. N.H. Abdul Husein	93,500	0.31
8 Mr. H.A. Pieris	70,000	0.23
9 Mr. A.M. Weerasinghe	57,500	0.19
10 People's Leasing & Finance PLC/L.P.Hapangama	57,157	0.19
11 Mrs. I. Gwyn	55,000	0.18
12 Mr. H.A.S. Madanayake	50,000	0.16
13 Code-Gen International Pvt Ltd	50,000	0.16
14 Mr. D. Weerawardana	45,023	0.15
15 Mr. P. Somadasa	43,597	0.14
16 Mr. D.F.G. Dalpethado	43,086	0.14
17 Mr. H.W.M. Woodward	42,679	0.14
18 Miss G.T. Daryanani	41,071	0.14
19 Mr. H. Tirathdas	40,322	0.13
20 Mr. K.C. Jayawardene	35,292	0.12

9. Public holding

Ordinary shares of the Company held by the public as at 31st March 2017 were as follows;

Number of public shareholders

Percentage of public holding

2,701

10.01%

10. Directors shareholding as at 31st March 2017

	No. of Shares as at 31.03.17
Mr. D.C.R. Gunawardena	-
Mr. H. Selvanathan	-
Mr. S. Nagendra	-
Mr. M. Dayananda	-
Mr. K. Selvanathan	-
Mr. S. Mather	-

INVESTOR INFORMATION

11. Share valuation

For the Three months ended 31st March 2017

Market value per share (Rs.)	32.50
Highest price per share for the period (Rs.)	35.00
Lowest price per share for the period (Rs.)	27.50

CORPORATE INFORMATION

Name of the Company	Pegasus Hotels of Ceylon PLC (A Carson Cumberbatch Company)
Company Registration Number	PQ 40
Legal Form	A Public Quoted Company with limited liability (Incorporated in Sri Lanka in 1966)
Parent and Ultimate Controlling Party	In the opinion of the Directors, Carson Cumberbatch PLC is the Parent Company of Pegasus Hotels of Ceylon PLC and Bukit Darah PLC is the Ultimate Parent and Controlling Entity of Pegasus Hotels of Ceylon PLC.
Directors	Chandima Gunawardena (Chairman) Hari Selvanathan Sega Nagendra Mahendra Dayananda Krishna Selvanathan Sujendra Mather
Bankers	Commercial Bank of Ceylon PLC Standard Chartered Bank Sampath Bank PLC Deutsche Bank AG Hatton National Bank PLC
Auditors	Messrs. KPMG Chartered Accountants 32A, Sir Mohamed Macan Marker Mawatha Colombo 03 Sri Lanka
Managers & Secretaries	Carsons Management Services (Private) Limited 61, Janadhipathi Mawatha Colombo 01 Sri Lanka Tel: 0112039200 Fax: 0112039300
Registered Office	61, Janadhipathi Mawatha Colombo 01 Sri Lanka
Place of Business	Santha Maria Mawatha Wattala Sri Lanka
Corporate Website	www.carsoncumberbatch.com