

PEGASUS HOTELS OF CEYLON PLC

INTERIM REPORT FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2019

A CARSON CUMBERBATCH COMPANY

PEGASUS HOTELS OF CEYLON PLC

Review of performance for the Six months ended 30th September 2019

The sudden twist in growth of the industry at the start of the financial year following the Easter attacks, contracted tourist traffic to the country by 38% YoY during the first half of the financial year. Thus, the competition within Hotel Sector got further aggravated in a quest for survival from a limited base of travelers. Accordingly, substantial discounting was seen across every category of accommodation, inevitably tightening the Average Room Rates (ARRs) in the industry during this period.

As a result, the hotel's occupancy dropped to 43% for the first six months of the financial year compared to 60% in the previous year's corresponding period. Further, the impact of the diminishing industry ARR's affected Pegasus Reef as well, where the hotel's ARR for the reported period declined by 3% over the corresponding period driving the room revenue down by 27% YoY. Furthermore, Food and Beverage revenue also noted a relative decline during the period under review, impacted by the low occupancy and the competition in the MICE segment. Thus, the revenue of Pegasus Reef Hotel at company level declined by 16% YoY to reach Rs. 246.7 Mn for the concluded six months period.

Meanwhile Giritale Hotel also managed only a 38% occupancy during the period under review due to the aforementioned turbulent industry conditions. As such, the group revenue for the period under review demonstrated a YoY decline of 11% to reach Rs. 281.5 Mn.

On costs, direct costs of the group saw a marginal YoY increase of 2% to be at Rs. 201.7 Mn, compared to the low cost base in the comparative period due to closure of rooms for refurbishment at Giritale Hotel. However, at the company level, Pegasus Reef Hotel's direct cost reduced by 4% YoY supported by the low occupancy and driven by continuous cost management efforts.

Concurrently, the sales and marketing expenses of the group showed a YoY reduction of 31% to Rs. 9.2 Mn, mainly due to comparative period's sales and marketing expenditure being inclusive of a bad debt provision of Rs. 3.9 Mn.

However, group's administration expenses noted a 17% YoY increase driven by increased staff related expenses, depreciation charges and security costs. Due to hotels' continuous emphasis on improving service and guest experiences, investing in employee-related expenditure has been vital over time in acquiring, training and retaining skilled talent which resulted in the above increase in related expenditure. Meanwhile, the depreciation cost increased due to the capitalization of the refurbishment related costs.

The Group's net finance income decreased by 87% YoY to reach Rs. 2.2 Mn, with increased debt financing to facilitate the Giritale Hotel's Room refurbishment and Pegasus Reef Hotel's Banquet hall refurbishment projects. During the period under consideration, both Pegasus Reef hotel and Giritale hotel opted to utilize the one-year debt moratorium offered by the Government as a part of a tourism relief package post-21st April incident. However, this will impact the future cash flows following the deferment of interest and capital repayments, which would commence servicing in the upcoming financial year.

As a result of the above reasons, the loss after tax for the six months ended 30th September 2019 stood at Rs. 26.6 Mn in contrast to the profit after tax of Rs. 32 Mn in the corresponding six months. At the company level, Pegasus Reef hotel reported a net loss of Rs. 11.8 Mn for the period under consideration compared to a net profit of Rs. 39.4 Mn in the comparative period.

Operations for the immediately ensuing quarter remains challenging, however, we are optimistic of a gradual rebound in demand conditions towards the financial year-end.

Carsons Management Services (Private) Limited

Managers

04th November 2019

Colombo

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 30th September			Six months ended 30th September			31.03.2019 (Audited)
	2019	2018	Change %	2019	2018	Change %	
Revenue	174,014	170,434	2	281,523	315,862	(11)	677,550
Direct costs	(111,464)	(102,316)	9	(201,695)	(198,258)	2	(421,151)
Gross profit	62,550	68,118	(8)	79,828	117,604	(32)	256,399
Other income	2,143	3,527	(39)	4,015	5,458	(26)	11,000
Selling and promotional expenses	(5,748)	(9,794)	(41)	(9,250)	(13,415)	(31)	(32,878)
Administrative expenses	(56,153)	(46,808)	20	(106,680)	(91,508)	17	(190,463)
Profit / (loss) from operations	2,792	15,043	(81)	(32,087)	18,139	(277)	44,058
Impairment on compensation receivable	-	-	-	-	-	-	(145,207)
Finance income	4,229	9,118	(54)	8,428	17,650	(52)	19,604
Finance costs	(2,507)	-	-	(6,198)	-	-	(2,230)
Net finance income	1,722	9,118	(81)	2,230	17,650	(87)	17,374
Profit / (loss) before taxation	4,514	24,161	(81)	(29,857)	35,789	(183)	(83,775)
Income tax expenses	-	-	-	-	-	-	1,331
Deferred taxation	(1,166)	(1,771)	(34)	3,230	(3,785)	(185)	(9,845)
Profit / (loss) for the period	3,348	22,390	(85)	(26,627)	32,004	(183)	(92,289)
Other comprehensive income							
Actuarial gain / (loss) from valuation of employee benefits	-	-	-	-	-	-	180
Related tax	-	-	-	-	-	-	(25)
Other comprehensive income / (expense) for the period	-	-	-	-	-	-	155
Total comprehensive income / (expense) for the period	3,348	22,390	(85)	(26,627)	32,004	(183)	(92,134)
Earnings / (loss) per share (Rs.)	0.11	0.74		(0.88)	1.05		(3.04)
Dividend per share (Rs.)	-	-		-	-		0.55

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 30th September			Six months ended 30th September			31.03.2019 (Audited)
	2019	2018	Change %	2019	2018	Change %	
Revenue	151,964	162,051	(6)	246,661	294,887	(16)	631,266
Direct costs	(95,884)	(93,512)	3	(171,380)	(178,638)	(4)	(372,548)
Gross profit	56,080	68,539	(18)	75,281	116,249	(35)	258,718
Other income	849	1,128	(25)	1,872	2,405	(22)	6,220
Selling and promotional expenses	(3,623)	(9,150)	(60)	(6,179)	(12,436)	(50)	(30,748)
Administrative expenses	(47,562)	(40,060)	19	(90,833)	(77,676)	17	(163,716)
Profit / (loss) from operations	5,744	20,457	(72)	(19,859)	28,542	(170)	70,474
Impairment on compensation receivable		-	-		-	-	(145,207)
Finance income	4,219	8,612	(51)	8,417	15,920	(47)	16,453
Finance costs	(767)	-	-	(1,571)	-	-	(705)
Net finance income	3,452	8,612	(60)	6,846	15,920	(57)	15,748
Profit / (loss) before taxation	9,196	29,069	(68)	(13,013)	44,462	(129)	(58,985)
Deferred taxation	(1,473)	(2,953)	(50)	1,190	(5,061)	(124)	(13,111)
Profit / (loss) for the period	7,723	26,116	(70)	(11,823)	39,401	(130)	(72,096)
Other comprehensive income							
Actuarial gain / (loss) from valuation of employee benefits	-	-	-	-	-	-	(40)
Related tax	-	-	-	-	-	-	6
Other comprehensive income / (expense) for the period	-	-	-	-	-	-	(34)
Total comprehensive income / (expense) for the period	7,723	26,116	(70)	(11,823)	39,401	(130)	(72,130)
Earnings / (loss) per share (Rs.)	0.25	0.86		(0.39)	1.30		(2.37)
Dividend per share (Rs.)	-	-		-	-		0.55

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 30th September	Group			Company		
	2019	2018	31.03.2019 (Audited)	2019	2018	31.03.2019 (Audited)
ASSETS						
Non-current assets						
Property, plant and equipment	2,030,128	1,906,353	2,007,609	1,797,411	1,737,393	1,772,236
Right of use of lease land	751	-	-	-	-	-
Intangible assets	115,287	115,287	115,287	-	-	-
Investment in subsidiary	-	-	-	110,223	110,223	110,223
Investment in fixed deposits	22,102	-	20,575	22,102	-	20,575
Compensation receivable	24,759	179,498	24,759	24,759	179,498	24,759
Total non-current assets	2,193,027	2,201,138	2,168,230	1,954,495	2,027,114	1,927,793
Current assets						
Inventories	20,727	19,888	17,181	16,853	16,648	13,402
Trade and other receivables	61,707	55,536	78,132	54,972	48,134	69,716
Investment in fixed deposits	37,974	136,446	93,631	37,974	122,146	93,631
Fair value through profit or loss financial assets	68,380	20,371	29,482	68,380	20,371	29,482
Cash and cash equivalents	14,920	19,590	8,870	3,941	2,811	8,254
Total current assets	203,708	251,831	227,296	182,120	210,110	214,485
Total assets	2,396,735	2,452,969	2,395,526	2,136,615	2,237,224	2,142,278
EQUITY AND LIABILITIES						
Equity						
Stated capital	515,170	515,170	515,170	515,170	515,170	515,170
Capital reserves	1,060,602	1,060,602	1,060,602	973,052	973,052	973,052
Revenue reserves	322,919	490,399	349,546	304,367	444,436	316,190
Total equity	1,898,691	2,066,171	1,925,318	1,792,589	1,932,658	1,804,412
Non-current liabilities						
Deferred tax liability	203,415	200,557	206,644	193,331	186,475	194,520
Employee benefits	21,016	18,439	19,950	15,041	12,249	13,776
Loans and borrowings	83,595	21,248	57,312	1,296	-	-
Total non-current liabilities	308,026	240,244	283,906	209,668	198,724	208,296
Current liabilities						
Trade and other payables	145,443	116,516	132,151	106,620	96,795	101,447
Current tax liabilities	2,416	4,995	2,828	3,738	4,432	3,915
Loans and borrowings	39,343	8,334	31,872	24,000	-	24,000
Bank overdraft	2,816	16,709	19,451	-	4,615	208
Total current liabilities	190,018	146,554	186,302	134,358	105,842	129,570
Total liabilities	498,044	386,798	470,208	344,026	304,566	337,866
Total equity and liabilities	2,396,735	2,452,969	2,395,526	2,136,615	2,237,224	2,142,278

Net assets per share (Rs.) 62.48 67.99 63.35 58.98 63.59 59.37

The Statement of Financial Position as at 30th September 2019 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 02 to 07 have been drawn up from unaudited 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

Director - Finance

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

04th November 2019

Colombo

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 01st April 2018	515,170	1,060,602	458,395	2,034,167
Loss for the year	-	-	(92,289)	(92,289)
Other comprehensive income for the year	-	-	155	155
Total comprehensive expense for the year	-	-	(92,134)	(92,134)
First interim dividend - 2018/19	-	-	(16,715)	(16,715)
Balance as at 31st March 2019	515,170	1,060,602	349,546	1,925,318
Balance as at 01st April 2019	515,170	1,060,602	349,546	1,925,318
Loss for the period	-	-	(26,627)	(26,627)
Other comprehensive income for the period	-	-	-	-
Total comprehensive expense for the period	-	-	(26,627)	(26,627)
Balance as at 30th September 2019 (Unaudited)	515,170	1,060,602	322,919	1,898,691
Balance as at 01st April 2018	515,170	1,060,602	458,395	2,034,167
Profit for the period	-	-	32,004	32,004
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	-	-	32,004	32,004
Balance as at 30th September 2018 (Unaudited)	515,170	1,060,602	490,399	2,066,171
Company	Stated capital	Capital reserves	Revenue reserves	Total equity
Balance as at 01st April 2018	515,170	973,052	405,035	1,893,257
Loss for the year	-	-	(72,096)	(72,096)
Other comprehensive expense for the year	-	-	(34)	(34)
Total comprehensive expense for the year	-	-	(72,130)	(72,130)
First interim dividend - 2018/19	-	-	(16,715)	(16,715)
Balance as at 31st March 2019	515,170	973,052	316,190	1,804,412
Balance as at 01st April 2019	515,170	973,052	316,190	1,804,412
Loss for the period	-	-	(11,823)	(11,823)
Other comprehensive income for the period	-	-	-	-
Total comprehensive expense for the period	-	-	(11,823)	(11,823)
Balance as at 30th September 2019 (Unaudited)	515,170	973,052	304,367	1,792,589
Balance as at 01st April 2018	515,170	973,052	405,035	1,893,257
Profit for the period	-	-	39,401	39,401
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	-	-	39,401	39,401
Balance as at 30th September 2018 (Unaudited)	515,170	973,052	444,436	1,932,658

Figures in brackets indicate deductions.

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

For the Six months ended 30th September	Group			Company		
	2019	2018	31.03.2019 (Audited)	2019	2018	31.03.2019 (Audited)
Cash flows from operating activities						
Profit / (loss) before taxation	(29,857)	35,789	(83,775)	(13,013)	44,462	(58,985)
Adjustments for:						
Interest income on placements with banks and government securities	(6,993)	(7,743)	(17,407)	(6,982)	(6,013)	(14,271)
Net change in fair value of fair value through profit or loss financial assets - unit trust	(1,435)	(375)	(1,702)	(1,435)	(375)	(1,702)
Amortization of right to use of lease land	52	-	-	-	-	-
Unwinding of discount on compensation receivable	-	(9,532)	-	-	(9,532)	-
Interest expenses on bank borrowings	6,198	-	2,230	1,571	-	705
Depreciation on property, plant and equipment	42,646	30,798	62,826	35,018	28,670	58,118
(Profit) / loss on disposal of property, plant and equipment	44	6	(1,608)	44	6	58
Property, plant and equipment written off	-	-	4,899	-	-	4,899
Provision for employee benefits	2,073	2,236	4,119	1,626	1,537	3,024
Impairment on compensation receivable	-	-	145,207	-	-	145,207
Provision made / (reversal of provision) for impairment of trade receivables	(117)	3,922	4,327	(117)	3,922	4,327
Profit before working capital changes	12,611	55,101	119,116	16,712	62,677	141,380
Decrease / (increase) in inventories	(3,546)	(1,520)	1,187	(3,451)	(1,966)	1,280
(Increase) / decrease in trade and other receivables	16,542	9,766	(13,235)	14,861	7,473	(14,514)
Increase / (decrease) in trade and other payables	17,752	(2,632)	11,975	6,062	(3,828)	(204)
Cash generated from operations	43,359	60,715	119,043	34,184	64,356	127,942
Employee benefits paid	(1,007)	(1,047)	(1,239)	(361)	(644)	(644)
Income tax paid	(412)	(695)	(1,531)	(176)	(269)	(785)
Net cash generated from operating activities	41,940	58,973	116,273	33,647	63,443	126,513
Cash flows from investing activities						
Purchase of property, plant and equipment	(65,477)	(47,799)	(186,092)	(60,505)	(7,210)	(77,576)
Proceeds from disposal of property, plant and equipment	268	-	2,789	268	-	1,123
Investment in fixed deposits	54,130	(10,434)	11,806	54,130	(52,974)	(45,034)
(Investment in) / disposal of fair value through profit or loss financial assets	(37,463)	(19,996)	(27,780)	(37,463)	(19,996)	(27,780)
Interest received	6,993	7,743	17,407	6,982	6,013	14,271
Net cash used in investing activities	(41,549)	(70,486)	(181,870)	(36,588)	(74,167)	(134,996)
Cash flows from financing activities						
Dividend paid	(889)	(784)	(16,470)	(889)	(784)	(16,470)
Loans and borrowings obtained / (repayment) during the period	29,448	(1,968)	57,634	1,296	-	24,000
Interest paid on bank borrowings	(5,904)	(1,843)	(5,137)	(1,571)	-	(705)
Lease rental paid	(361)	-	-	-	-	-
Net cash generated from / (used in) financing activities	22,294	(4,595)	36,027	(1,164)	(784)	6,825
Net (decrease) / increase in cash and cash equivalents	22,685	(16,108)	(29,570)	(4,105)	(11,508)	(1,658)
Cash and cash equivalents at the beginning of the period	(10,581)	18,989	18,989	8,046	9,704	9,704
Cash and cash equivalents at the end of the Period	12,104	2,881	(10,581)	3,941	(1,804)	8,046
Statement of cash and cash equivalents						
Cash at bank and in hand	14,920	19,590	8,870	3,941	2,811	8,254
Bank overdraft	(2,816)	(16,709)	(19,451)	-	(4,615)	(208)
Cash and cash equivalents for the purpose of statement of cash flow	12,104	2,881	(10,581)	3,941	(1,804)	8,046

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 2019, except as disclosed in note 1.1 - "adoption of SLFRS - 16 Leases", 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.

1.1 Adoption of SLFRS - 16 Leases

The Group has adopted SLFRS 16 Leases from 1 April 2019. Accordingly, the group recognized a right of use of asset at the date of initial application for leases which were previously classified as an operating lease applying LKAS 17. The right of use assets were measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments immediately before the date of initial application. However, comparative amounts for the prior years have not been restated.

2. Events after the reporting period

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

3. Contingent liabilities and capital commitments

There were no contingent liability or significant financial commitments for the Company and the Group 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 30th September 2019 was Rs. 515.17 mn consists of 30,391,538 fully paid Ordinary Shares.

7. Related party transactions

For the Six months ended 30th September	Group		Company	
	2019	2018	2019	2018
Transactions with affiliate companies				
Receiving of services	4,164	4,661	3,939	4,201

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 30th September 2019

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	364,952	1.20
3 Mr. K.C. Vignarajah	184,003	0.61
4 Mr. K.C. Jayawardene	131,000	0.43
5 Mrs. V.R. Jayasinghe	128,003	0.42
6 Mr. D.F.G. Dalpethado	120,825	0.40
7 Bansei Securities Capital (Pvt) Ltd /R.C.J.Goonewardena	94,498	0.31
8 Mr. H.A. Van Starrex	90,000	0.30
9 Mrs. N.A. Ediriweera	75,000	0.25
10 Mr. H.A. Pieris	70,000	0.23
11 J.B. Cocoshell (Pvt) Ltd	60,000	0.20
12 Mr. A.M. Weerasinghe	57,500	0.19
13 People's Leasing & Finance PLC/L.P.Hapangama	57,157	0.19
14 Mrs. I. Gwyn	55,000	0.18
15 Mr. H.A.S. Madanayake	50,000	0.16
16 Code-Gen International Pvt Ltd	50,000	0.16
17 Mr. P. Somadasa	43,295	0.14
18 Mrs. C.A.D.S. Woodward	42,679	0.14
19 Nanayakkara Management Services(Private) Limited	31,361	0.10
20 Mr. M.F.J. Macan Markar	30,700	0.10

9. Public holding

The Company is in compliance with the Minimum Public Holding requirements for Companies listed on the Diri Savi Board as per Rule 7.13.1 (b) of the Listing Rules of the Colombo Stock Exchange, under Option 2, i.e. Float-Adjusted Market Capitalization of less than Rs.1 Billion with 200 Public Shareholders and a Public Holding percentage of 10%.

The Company's Public Holding as at 30th September 2019

Market Capitalization of the Public Holding	Rs. 71.5 Million
Number of public shareholders	2,995
Percentage of ordinary shares held by the public	10.01%

10. Directors shareholding as at 30th September 2019

	No. of Shares as at 30.09.19
Mr. D.C.R. Gunawardena	-
Mr. M. Dayananda	-
Mr. K. Selvanathan	-
Mr. S. Mather	-
Mr. V R Wijesinghe	-

INVESTOR INFORMATION

11. Share valuation

For the Six months ended 30th September 2019	
Market value per share (Rs.)	23.50
Highest price per share for the period (Rs.)	30.00
Lowest price per share for the period (Rs.)	21.60

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) Mahendra Dayananda Krishna Selvanathan Sujendra Mather Vibath Wijesinghe
Bankers	Commercial Bank of Ceylon PLC Standard Chartered Bank Sampath Bank PLC Deutsche Bank AG Hatton National Bank
Auditors	Messrs. KPMG Chartered Accountants No. 32A, Sir Mohamed Macan Marker Mawatha, Colombo 03. Sri Lanka.
Managers & Secretaries	Carsons Management Services (Private) Limited No. 61, Janadhipathi Mawatha, Colombo 01. Sri Lanka. Tel: 0112039200 Fax: 0112039300
Registered Office	No. 61, Janadhipathi Mawatha, Colombo 01. Sri Lanka.
Place of Business	Santha Maria Mawatha Wattala Sri Lanka
Corporate Website	www.carsoncumberbatch.com