

PEGASUS HOTELS OF CEYLON PLC

INTERIM REPORT FOR THE NINE MONTHS ENDED 31ST DECEMBER 2016

PEGASUS HOTELS OF CEYLON PLC

Review of performance for the Nine months ended 31st December 2016

The refurbishment activities of 80 rooms of the Pegasus Reef Hotel reached completion during the month of November 2016. Hotel operated with a room capacity of only 40 rooms for approximately 6 months of the current period under review, in comparison to the corresponding period of the previous year, where it operated at full room capacity.

The company revenue for the nine months under review totaled to Rs. 295.0 Mn, representing a year on year decline of 13%. Nonetheless, the hotel managed to minimize the impact on the revenue due to the aforementioned refurbishment by scheduling the refurbishment to take place during the off-season period. Further, the hotel registered an increase of special functions during the period under review, relative to the previous year, which increased the banquet revenue, supplementing positively to overall revenue of the company. Additionally, the new sea-food restaurant "The Fishery", which commenced operations in August 2015, was fully operational during the current period under review, which further supported the revenue of the hotel.

For the period ended 31st December 2016, selling and promotional expenses registered a 45% year on year increase to reach Rs. 20.4 Mn. This is primarily attributable to special function promotions, increase in on-line booking commission charges in line with the increased on-line bookings during the period as well as brand awareness campaigns and overseas visits initiated to further foster the hotel's brand. Several other marketing initiatives targeting the tour groups were also carried out during the period under review.

Administrative expenditure of the hotel increased by 20% year-on-year to reach Rs. 95.7 Mn. This level of increase is explained by the incremental costs, particularly due to the full payment of service charges to the staff during the period of the refurbishment at the company's expense as well as due to the revisions made to the minimum wages along with the costs of additional staff recruited to new service areas. Further, the deployment of additional security personnel for the above refurbishment project, also adversely affected the administrative expenses of the hotel for the period under review.

Accordingly, the hotel registered a Net Profit of Rs.10.4 Mn for the nine months ended 31st December 2016.

Aggregate revenues incorporating the revenues from the Giritale hotel, for the period under review stood at Rs.368.6 Mn, showcasing a 10% decrease versus the prior year's corresponding period. Group revenue growth went negative, primarily due to the aforesaid scaled down operations of Pegasus Hotel pursuant to its refurbishment.

Underpinned by the aforementioned reasons, group net earnings amounted to Rs. 17.7 Mn for the nine months under review, depicting a contraction of Rs. 62.2 Mn in comparison to the corresponding period of the fiscal year 2016.

Carsons Management Services (Private) Limited Managers

06th February 2017

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			Nine months ended			31.03.2016 (Audited)
	31st December			31st December			
	2016	2015	Change %	2016	2015	Change %	
Revenue	142,810	163,012	(12)	368,550	408,621	(10)	582,209
Direct costs	(83,762)	(86,303)	(3)	(239,215)	(229,770)	4	(318,427)
Gross profit	59,048	76,709	(23)	129,335	178,851	(28)	263,782
Other income	2,355	3,040	(23)	6,230	6,697	(7)	8,652
Selling and promotional expenses	(11,724)	(9,031)	30	(22,973)	(16,294)	41	(28,410)
Administrative expenses	(40,005)	(37,234)	7	(116,204)	(96,912)	20	(134,847)
(Loss)/profit from operations	9,674	33,484	(71)	(3,612)	72,342	(105)	109,177
Finance income	5,903	5,990	(1)	21,770	17,200	27	24,520
Net finance income	5,903	5,990	(1)	21,770	17,200	27	24,520
Profit before taxation	15,577	39,474	(61)	18,158	89,542	(80)	133,697
Income tax expenses	(486)	(2,731)	(82)	(1,127)	(6,199)	(82)	(7,889)
Deferred taxation	(1,129)	(1,458)	(23)	700	(3,442)	(120)	(5,133)
Profit for the period	13,962	35,285	(60)	17,731	79,901	(78)	120,675
Other comprehensive income							
Actuarial loss from valuation of employee benefits	-	-	-	-	-	-	(1,485)
Related tax	-	-	-	-	-	-	178
Other comprehensive expense for the period	-	-	-	-	-	-	(1,307)
Total comprehensive income for the period	13,962	35,285	(60)	17,731	79,901	(78)	119,368
Earnings per share (Rs.)	0.46	1.16		0.58	2.63		3.97
Dividend per share (Rs.)	-	-		-	-		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			Nine months ended			31.03.2016 (Audited)
	31st December			31st December			
	2016	2015	Change %	2016	2015	Change %	
Revenue	119,552	138,640	(14)	295,029	339,020	(13)	484,709
Direct costs	(69,480)	(71,887)	(3)	(194,209)	(187,654)	3	(260,300)
Gross profit	50,072	66,753	(25)	100,820	151,366	(33)	224,409
Other income	1,657	2,336	(29)	4,211	4,693	(10)	6,008
Selling and promotional expenses	(10,728)	(8,233)	30	(20,382)	(14,048)	45	(25,231)
Administrative expenses	(33,261)	(31,254)	6	(95,664)	(79,823)	20	(110,269)
(Loss)/profit from operations	7,740	29,602	(74)	(11,015)	62,188	(118)	94,917
Finance income	5,408	5,845	(7)	20,990	19,754	6	26,780
Net finance income	5,408	5,845	(7)	20,990	19,754	6	26,780
Profit before taxation	13,148	35,447	(63)	9,975	81,942	(88)	121,697
Income tax expenses	38	(2,332)	(102)	(215)	(4,786)	(96)	(6,002)
Deferred taxation	(1,045)	(1,412)	(26)	678	(3,510)	(119)	(5,186)
Profit for the period	12,141	31,703	(62)	10,438	73,646	(86)	110,509
Other comprehensive income							
Actuarial loss from valuation of employee benefits	-	-	-	-	-	-	(1,354)
Related tax	-	-	-	-	-	-	162
Other comprehensive expense for the period	-	-	-	-	-	-	(1,192)
Total comprehensive income for the period	12,141	31,703	(62)	10,438	73,646	(86)	109,317
Earnings per share (Rs.)	0.40	1.04		0.34	2.42		3.64
Dividend per share (Rs.)	-	-		-	-		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 December	Group			Company		
	2016	2015	31.03.2016 (Audited)	2016	2015	31.03.2016 (Audited)
ASSETS						
Non-current assets						
Property, plant and equipment	1,340,246	1,187,847	1,186,133	1,308,190	1,156,857	1,154,428
Intangible assets	115,287	115,287	115,287	-	-	-
Investment in subsidiary	-	-	-	110,223	110,223	110,223
Compensation receivable	148,360	133,019	136,678	148,360	133,019	136,678
Total non-current assets	1,603,893	1,436,153	1,438,098	1,566,773	1,400,099	1,401,329
Current assets						
Inventories	18,299	19,251	16,159	13,979	15,390	12,720
Fair value through profit or loss financial assets	-	76,167	180,146	-	76,167	180,146
Trade and other receivables	58,005	53,179	54,985	48,993	44,568	46,834
Cash and cash equivalents	44,528	100,391	32,976	24,365	89,099	16,729
Total current assets	120,832	248,988	284,266	87,337	225,224	256,429
Total assets	1,724,725	1,685,141	1,722,364	1,654,110	1,625,323	1,657,758
EQUITY AND LIABILITIES						
Equity						
Stated capital	515,170	515,170	515,170	515,170	515,170	515,170
Capital reserves	675,099	675,099	675,099	675,099	675,099	675,099
Revenue reserves	380,519	338,517	377,984	334,682	303,769	339,440
Total equity	1,570,788	1,528,786	1,568,253	1,524,951	1,494,038	1,529,709
Non-current liabilities						
Deferred tax liability	38,815	38,001	39,514	37,361	36,524	38,038
Employee benefits	17,716	14,517	16,450	11,185	7,855	9,610
Total non-current liabilities	56,531	52,518	55,964	48,546	44,379	47,648
Current liabilities						
Trade and other payables	95,606	99,612	93,885	79,827	83,893	77,825
Current tax liabilities	1,800	4,225	4,262	786	3,013	2,576
Total current liabilities	97,406	103,837	98,147	80,613	86,906	80,401
Total liabilities	153,937	156,355	154,111	129,159	131,285	128,049
Total equity and liabilities	1,724,725	1,685,141	1,722,364	1,654,110	1,625,323	1,657,758
Net assets per share (Rs.)	51.69	50.30	51.60	50.18	49.16	50.33

The Statement of Financial Position as at 31st December 2016 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 2 to 7 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

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

06th February 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 31st March 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 expenses for the year	-	-	(1,307)	(1,307)
Total comprehensive income for the year	-	-	119,368	119,368
Dividends 2014/15	-	-	(15,196)	(15,196)
Balance as at 31st March 2016	515,170	675,099	377,984	1,568,253
Balance as at 31st March 2016	515,170	675,099	377,984	1,568,253
Profit for the period	-	-	17,731	17,731
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	-	-	17,731	17,731
Dividends 2015/16	-	-	(15,196)	(15,196)
Balance as at 31st December 2016 (Unaudited)	515,170	675,099	380,519	1,570,788
Balance as at 31st March 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 period	-	-	79,901	79,901
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	-	-	79,901	79,901
Dividends 2014/15	-	-	(15,196)	(15,196)
Balance as at 31st December 2015 (Unaudited)	515,170	675,099	338,517	1,528,786
Company	Stated capital	Capital reserves	Revenue reserves	Total equity
Balance as at 31st March 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 expenses for the year	-	-	(1,192)	(1,192)
Total comprehensive income for the year	-	-	109,317	109,317
Dividends 2014/15	-	-	(15,196)	(15,196)
Balance as at 31st March 2016	515,170	675,099	339,440	1,529,709
Balance as at 31st March 2016	515,170	675,099	339,440	1,529,709
Profit for the period	-	-	10,438	10,438
Other comprehensive income for the period	-	-	-	-
Total comprehensive expense for the period	-	-	10,438	10,438
Dividends 2015/16	-	-	(15,196)	(15,196)
Balance as at 31st December 2016 (Unaudited)	515,170	675,099	334,682	1,524,951
Balance as at 31st March 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 period	-	-	73,646	73,646
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	-	-	73,646	73,646
Dividends 2014/15	-	-	(15,196)	(15,196)
Balance as at 31st December 2015 (Unaudited)	515,170	675,099	303,769	1,494,038

* 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 Gains Tax as stand-alone entities, however the two companies paid Rs. 6.7mn and Rs. 1.6mn respectively as Super Gain Tax on the basis that the 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)

As at 31st December	Group			Company		
	2016	2015	31.03.2016 (Audited)	2016	2015	31.03.2016 (Audited)
Cash flows from operating activities						
Profit / (loss) before taxation	18,158	89,542	133,697	9,975	81,942	121,697
Adjustments for:						
(Profit)/ Loss on disposal of property, plant and equipment	189	(754)	(812)	189	(783)	(783)
Interest income on placements with banks and government securities	1,720	(17,200)	(5,933)	2,870	(16,669)	(5,141)
Net change in fair value of fair value through profit or loss financial assets	(11,808)	-	(4,146)	(11,808)	-	(4,146)
Dividend income	-	-	-	(370)	(3,085)	(3,085)
Unwinding of discount on compensation receivable	(11,682)	(10,474)	(14,133)	(11,682)	(10,474)	(14,133)
Depreciation on property, plant and equipment	31,870	32,113	43,450	28,719	29,129	39,179
Provision for employee benefits	3,941	2,732	3,203	2,839	1,683	2,107
Provision / (reversal of provision) for impairment of trade receivables	-	(921)	(921)	-	(921)	(921)
Profit before working capital changes	32,388	95,038	154,405	20,732	80,822	134,774
(Increase) / decrease in inventories	(2,140)	(6,190)	(3,098)	(1,259)	(6,218)	(3,548)
(Increase) / decrease in trade and other receivables	(3,020)	(6,093)	(7,899)	(2,159)	(4,592)	(6,858)
Increase / (decrease) in trade and other payables	1,504	34,697	28,977	1,785	35,160	29,099
Cash generated from operations	28,732	117,452	172,385	19,099	105,172	153,467
Employee benefits paid	(2,674)	(711)	(733)	(1,264)	(568)	(590)
Income tax paid	(3,590)	(15,963)	(17,616)	(2,004)	(13,683)	(15,337)
Net cash generated from operating activities	22,468	100,778	154,036	15,831	90,921	137,540
Cash flows from investing activities						
Purchase of property, plant and equipment	(186,171)	(65,702)	(76,356)	(182,670)	(57,745)	(66,329)
Proceeds from disposal of property, plant and equipment	-	4,355	5,443	-	4,355	5,318
Disposal of / (investment in) fair value through profit or loss financial assets	191,954	(75,000)	(176,000)	191,954	(75,000)	(176,000)
Interest received	(1,720)	16,033	5,933	(2,870)	15,502	5,141
Dividend received	-	-	-	370	3,085	3,085
Net cash used in investing activities	4,063	(120,314)	(240,980)	6,784	(109,803)	(228,785)
Cash flows from financing activities						
Dividend paid	(14,979)	(15,090)	(15,097)	(14,979)	(15,090)	(15,097)
Net cash used in financing activities	(14,979)	(15,090)	(15,097)	(14,979)	(15,090)	(15,097)
Net increase / (decrease) in cash and cash equivalents	11,552	(34,626)	(102,041)	7,636	(33,972)	(106,342)
Cash and cash equivalents at the beginning of the period	32,976	135,017	135,017	16,729	123,071	123,071
Cash and cash equivalents at the end of the Period	44,528	100,391	32,976	24,365	89,099	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 2016 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

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

	Group		Company	
	2016	2015	2016	2015
(a) Capital commitments				
Capital expenditure contracted for at the end of the reporting period but not yet incurred	59,842	-	59,842	-

There were no other significant financial commitments for the Company and the Group 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. Acquisition of land by the government of Sri Lanka

The Company filed a Motion in the Supreme Court to obtain an order for the divestiture of title of the 353.89 Perches of land, as allowed for by the Supreme Court in its original order made in November 2008. However on 18.10.2016 Supreme Court decided that no further orders can be made by the Supreme Court. Accordingly, the appropriate remedy available to the Company would be through the Court of Appeal which is under consultation with legal counsel.

7. Stated capital

The stated capital of the Company as at 31st December 2016 was Rs. 515.17 mn consists of 30,391,538 fully paid Ordinary Shares.

08. Related party transactions

For the Nine months ended 31st December	Group		Company	
	2016	2015	2016	2015
Transactions with subsidiaries				
Dividends received	-	-	370	3,085
Transactions with affiliate companies				
Receiving of services	6,130	10,534	4,691	6,602

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

09. Twenty major shareholders as at 31st December 2016

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	174,109	0.57
5 Mr. H.A. Van Starrex	100,000	0.33
6 Mrs. V.R. Jayasinghe	96,055	0.32
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. H.W.M. Woodward	42,679	0.14
17 Miss G.T. Daryanani	41,071	0.14
18 Mr. H. Tirathdas	40,322	0.13
19 Mr. K.C. Jayawardene	35,292	0.12
20 Devi Holding (Pvt) Ltd	35,000	0.12
21 Mr. K.A.S.R. Nissanka	35,000	0.12

10. Public holding

Ordinary shares of the company held by the public as at 31st December 2016 were as follows;

Number of public shareholders

Percentage of public holding

2,660

10.01%

11. Directors shareholding as at 31st December 2016

	No. of Shares as at 31.12.16
Mr. D.C.R. Gunawardena	-
Mr. H. Selvanathan	-
Mr. S. Nagendra	-
Mr. M. Dayananda	-
Mr. K. Selvanathan	-
Mr. S. Mather	-

INVESTOR INFORMATION

12. Share valuation

For the Three months ended 31st December 2016

Market value per share (Rs.)	30.10
Highest price per share for the period (Rs.)	37.50
Lowest price per share for the period (Rs.)	29.20

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
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