

PEGASUS HOTELS OF CEYLON PLC

INTERIM REPORT FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2016

A CARSON CUMBERBATCH COMPANY

## **PEGASUS HOTELS OF CEYLON PLC**

### **Review of performance for the Six months ended 30th September 2016**

Pegasus Hotels of Ceylon PLC recorded a standalone Revenue of Rs. 175.5 Mn for the six months under review. This is a decrease of 12% against the corresponding period due to the ongoing room refurbishment project due to which only 40 of its 140 rooms are operating currently. Nevertheless, average room rates secured indicated an improvement over the two comparable periods as did banquet revenue, both of which contributed positively towards top line for the period.

For the six months concluded, selling & promotional and administrative expenditure reflected year-on-year increases of 66% and 28% respectively. Rise in administrative expenditure is largely attributable towards the fact that operating expenses of the sea food restaurant was reflected in full during the two quarters under review compared to the same period of the previous financial year. Further, revisions made to minimum wages and additional staff recruited to new service areas with the intention of uplifting the hotel's overall service standards also carried an impact on administrative expenses. The key factors that contributed towards increase in selling & promotional expenses were; Increase in on-line booking commission charges with the increase in on-line bookings during the period, participation in travel roadshows held overseas and other marketing activities aimed at strengthening ties with tour groups and increasing patronisation of the hotel by domestic tourists.

Accordingly, the company reported a Net loss of Rs. 1.7 Mn for the six months ended 30th September 2016.

Consolidated earnings for the period which includes the financial results of Giritale Hotel were weighed down by the performance of Pegasus Reef Hotel due to the aforementioned refurbishment program. Accordingly, on consolidated basis, the Group registered a revenue of Rs. 225.7 Mn for the first half of financial year 2016/17, which, compared to the first six months of the previous financial year is a decrease of 8% due to scaled down performance of the Pegasus Reef Hotel.

Due mainly to the aforementioned contraction in Group Revenue, Group Net earnings too declined by Rs. 40.8 Mn year-on-year to Rs. 3.8 Mn for the six months under review.

### **Carsons Management Services (Private) Limited Managers**

07th November 2016  
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 |          |          | Six months ended |           |          | 31.03.2016<br>(Audited) |
|--|--------------------|----------|----------|------------------|-----------|----------|-------------------------|
|  | 30th September     |          |          | 30th September   |           |          |                         |
|  | 2016               | 2015     | Change % | 2016             | 2015      | Change % |                         |
| Revenue  | 108,815            | 133,957  | (19)     | 225,740          | 245,609   | (8)      | 582,209                 |
| Direct costs                                       | (73,664)           | (77,134) | (4)      | (155,453)        | (143,467) | 8        | (318,427)               |
| Gross profit                                       | 35,151             | 56,823   | (38)     | 70,287           | 102,142   | (31)     | 263,782                 |
| Other income                                       | 1,969              | 1,779    | 11       | 3,875            | 3,657     | 6        | 8,652                   |
| Selling and promotional expenses                   | (5,337)            | (5,221)  | 2        | (11,249)         | (7,263)   | 55       | (28,410)                |
| Administrative expenses                            | (39,648)           | (31,630) | 25       | (76,199)         | (59,678)  | 28       | (134,847)               |
| <b>(Loss)/profit from operations</b>               | <b>(7,865)</b>     | 21,751   | (136)    | <b>(13,286)</b>  | 38,858    | (134)    | 109,177                 |
| Finance income                                     | 7,476              | 5,848    | 28       | 15,867           | 11,210    | 42       | 24,520                  |
| Finance costs                                      | -                  | -        | -        | -                | -         | -        | -                       |
| <b>Net finance income</b>                          | <b>7,476</b>       | 5,848    | 28       | <b>15,867</b>    | 11,210    | 42       | 24,520                  |
| <b>(Loss)/profit before taxation</b>               | <b>(389)</b>       | 27,599   | (101)    | <b>2,581</b>     | 50,068    | (95)     | 133,697                 |
| Income tax expenses                                | (343)              | (1,464)  | (77)     | (641)            | (3,468)   | (82)     | (7,889)                 |
| Deferred taxation                                  | 1,326              | (1,039)  | (228)    | 1,829            | (1,984)   | (192)    | (5,133)                 |
| <b>Profit for the period</b>                       | <b>594</b>         | 25,096   | (98)     | <b>3,769</b>     | 44,616    | (92)     | 120,675                 |
| <b>Other comprehensive income</b>                  |                    |          |          |                  |           |          |                         |
| Actuarial loss from valuation of employee benefits | -                  | -        | -        | -                | -         | -        | (1,485)                 |
| Related tax  | -                  | -        | -        | -                | -         | -        | 178                     |
| <b>Other comprehensive expense for the period</b>  | <b>-</b>           | -        | -        | <b>-</b>         | -         | -        | <b>(1,307)</b>          |
| <b>Total comprehensive income for the period</b>   | <b>594</b>         | 25,096   | (98)     | <b>3,769</b>     | 44,616    | (92)     | 119,368                 |
| <b>Earnings per share (Rs.)</b>                    | <b>0.02</b>        | 0.83     |          | <b>0.12</b>      | 1.47      |          | 3.97                    |
| <b>Dividend per share (Rs.)</b>                    | <b>-</b>           | -        |          | <b>-</b>         | -         |          | 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 |          |          | Six months ended |           |          | 31.03.2016<br>(Audited) |
|--|--------------------|----------|----------|------------------|-----------|----------|-------------------------|
|  | 30th September     |          |          | 30th September   |           |          |                         |
|  | 2016               | 2015     | Change % | 2016             | 2015      | Change % |                         |
| Revenue  | 78,390             | 105,508  | (26)     | 175,477          | 200,380   | (12)     | 484,709                 |
| Direct costs   | (56,912)           | (61,882) | (8)      | (124,729)        | (115,767) | 8        | (260,300)               |
| Gross profit   | 21,478             | 43,626   | (51)     | 50,748           | 84,613    | (40)     | 224,409                 |
| Other income   | 1,284              | 1,178    | 9        | 2,554            | 2,357     | 8        | 6,008                   |
| Selling and promotional expenses                             | (4,206)            | (4,240)  | (1)      | (9,654)          | (5,815)   | 66       | (25,231)                |
| Administrative expenses                                      | (32,438)           | (26,203) | 24       | (62,403)         | (48,569)  | 28       | (110,269)               |
| <b>(Loss)/profit from operations</b>                         | <b>(13,882)</b>    | 14,361   | (197)    | <b>(18,755)</b>  | 32,586    | (158)    | 94,917                  |
| Finance income   | 7,142              | 5,565    | 28       | 15,582           | 13,909    | 12       | 26,780                  |
| Finance costs  | -                  | -        | -        | -                | -         | -        | -                       |
| <b>Net finance income</b>                                    | <b>7,142</b>       | 5,565    | 28       | <b>15,582</b>    | 13,909    | 12       | 26,780                  |
| <b>(Loss)/profit before taxation</b>                         | <b>(6,740)</b>     | 19,926   | (134)    | <b>(3,173)</b>   | 46,495    | (107)    | 121,697                 |
| Income tax expenses  | (164)              | (814)    | (80)     | (253)            | (2,454)   | (90)     | (6,002)                 |
| Deferred taxation  | 1,273              | (1,078)  | (218)    | 1,723            | (2,098)   | (182)    | (5,186)                 |
| <b>(Loss) /profit for the period</b>                         | <b>(5,631)</b>     | 18,034   | (131)    | <b>(1,703)</b>   | 41,943    | (104)    | 110,509                 |
| <b>Other comprehensive income</b>                            |                    |          |          |                  |           |          |                         |
| Actuarial loss from valuation of employee benefits           | -                  | -        | -        | -                | -         | -        | (1,354)                 |
| Related tax  | -                  | -        | -        | -                | -         | -        | 162                     |
| <b>Other comprehensive expense for the period</b>            | <b>-</b>           | -        | -        | <b>-</b>         | -         | -        | (1,192)                 |
| <b>Total comprehensive (expenses)/ income for the period</b> | <b>(5,631)</b>     | 18,034   | (131)    | <b>(1,703)</b>   | 41,943    | (104)    | 109,317                 |
| <b>Earnings per share (Rs.)</b>                              | <b>(0.19)</b>      | 0.59     |          | <b>(0.06)</b>    | 1.38      |          | 3.64                    |
| <b>Dividend per share (Rs.)</b>                              | <b>-</b>           | -        |          | <b>-</b>         | -         |          | 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 30th September                               | Group            |                  |                         | Company          |                  |                         |
|--|------------------|------------------|-------------------------|------------------|------------------|-------------------------|
|  | 2016             | 2015             | 31.03.2016<br>(Audited) | 2016             | 2015             | 31.03.2016<br>(Audited) |
| <b>ASSETS</b>                                      |                  |                  |                         |                  |                  |                         |
| <b>Non-current assets</b>                          |                  |                  |                         |                  |                  |                         |
| Property, plant and equipment                      | 1,290,584        | 1,182,833        | 1,186,133               | 1,258,958        | 1,157,387        | 1,154,428               |
| Intangible assets                                  | 115,287          | 115,287          | 115,287                 | -                | -                | -                       |
| Investment in subsidiary                           | -                | -                | -                       | 110,223          | 110,223          | 110,223                 |
| Compensation receivable                            | 144,345          | 129,419          | 136,678                 | 144,345          | 129,419          | 136,678                 |
| <b>Total non-current assets</b>                    | <b>1,550,216</b> | <b>1,427,539</b> | <b>1,438,098</b>        | <b>1,513,526</b> | <b>1,397,029</b> | <b>1,401,329</b>        |
| <b>Current assets</b>                              |                  |                  |                         |                  |                  |                         |
| Inventories  | 16,177           | 15,171           | 16,159                  | 12,167           | 11,561           | 12,720                  |
| Fair value through profit or loss financial assets | 71,729           | 25,519           | 180,146                 | 71,729           | 25,519           | 180,146                 |
| Trade and other receivables                        | 38,676           | 55,126           | 54,985                  | 31,159           | 43,969           | 46,834                  |
| Cash and cash equivalents                          | 23,868           | 122,470          | 32,976                  | 5,764            | 111,025          | 16,729                  |
| <b>Total current assets</b>                        | <b>150,450</b>   | <b>218,286</b>   | <b>284,266</b>          | <b>120,819</b>   | <b>192,074</b>   | <b>256,429</b>          |
| <b>Total assets</b>                                | <b>1,700,666</b> | <b>1,645,825</b> | <b>1,722,364</b>        | <b>1,634,345</b> | <b>1,589,103</b> | <b>1,657,758</b>        |
| <b>EQUITY AND LIABILITIES</b>                      |                  |                  |                         |                  |                  |                         |
| <b>Equity</b>                                      |                  |                  |                         |                  |                  |                         |
| 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                                   | 366,557          | 303,232          | 377,984                 | 322,541          | 272,066          | 339,440                 |
| <b>Total equity</b>                                | <b>1,556,826</b> | <b>1,493,501</b> | <b>1,568,253</b>        | <b>1,512,810</b> | <b>1,462,335</b> | <b>1,529,709</b>        |
| <b>Non-current liabilities</b>                     |                  |                  |                         |                  |                  |                         |
| Deferred tax liability                             | 37,685           | 36,543           | 39,514                  | 36,315           | 35,112           | 38,038                  |
| Employee benefits                                  | 17,701           | 13,735           | 16,450                  | 10,417           | 7,423            | 9,610                   |
| <b>Total non-current liabilities</b>               | <b>55,386</b>    | <b>50,278</b>    | <b>55,964</b>           | <b>46,732</b>    | <b>42,535</b>    | <b>47,648</b>           |
| <b>Current liabilities</b>                         |                  |                  |                         |                  |                  |                         |
| Trade and other payables                           | 86,571           | 90,840           | 93,885                  | 73,978           | 75,480           | 77,825                  |
| Current tax liabilities                            | 1,883            | 11,206           | 4,262                   | 825              | 8,753            | 2,576                   |
| <b>Total current liabilities</b>                   | <b>88,454</b>    | <b>102,046</b>   | <b>98,147</b>           | <b>74,803</b>    | <b>84,233</b>    | <b>80,401</b>           |
| <b>Total liabilities</b>                           | <b>143,840</b>   | <b>152,324</b>   | <b>154,111</b>          | <b>121,535</b>   | <b>126,768</b>   | <b>128,049</b>          |
| <b>Total equity and liabilities</b>                | <b>1,700,666</b> | <b>1,645,825</b> | <b>1,722,364</b>        | <b>1,634,345</b> | <b>1,589,103</b> | <b>1,657,758</b>        |

Net assets per share (Rs.) 51.23 49.14 51.60 49.78 48.12 50.33

The Statement of Financial Position as at 30th September 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

07th November 2016

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 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           |
| <b>Balance as at 31st March 2016</b>                 | <b>515,170</b>        | <b>675,099</b>          | <b>377,984</b>          | <b>1,568,253</b>    |
| Profit for the period                                | -                     | -                       | 3,769                   | 3,769               |
| Other comprehensive income for the period            | -                     | -                       | -                       | -                   |
| Total comprehensive income for the period            | -                     | -                       | 3,769                   | 3,769               |
| Dividends 2015/16                                    | -                     | -                       | (15,196)                | (15,196)            |
| <b>Balance as at 30th September 2016 (Unaudited)</b> | <b>515,170</b>        | <b>675,099</b>          | <b>366,557</b>          | <b>1,556,826</b>    |
| 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                                | -                     | -                       | 44,616                  | 44,616              |
| Other comprehensive income for the period            | -                     | -                       | -                       | -                   |
| Total comprehensive income for the period            | -                     | -                       | 44,616                  | 44,616              |
| Dividends 2014/15                                    | -                     | -                       | (15,196)                | (15,196)            |
| Balance as at 30th September 2015 (Unaudited)        | 515,170               | 675,099                 | 303,232                 | 1,493,501           |
| <b>Company</b>                                       | <b>Stated capital</b> | <b>Capital reserves</b> | <b>Revenue reserves</b> | <b>Total equity</b> |
| 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           |
| <b>Balance as at 31st March 2016</b>                 | <b>515,170</b>        | <b>675,099</b>          | <b>339,440</b>          | <b>1,529,709</b>    |
| Loss for the period                                  | -                     | -                       | (1,703)                 | (1,703)             |
| Other comprehensive income for the period            | -                     | -                       | -                       | -                   |
| Total comprehensive expense for the period           | -                     | -                       | (1,703)                 | (1,703)             |
| Dividends 2015/16                                    | -                     | -                       | (15,196)                | (15,196)            |
| <b>Balance as at 30th September 2016 (Unaudited)</b> | <b>515,170</b>        | <b>675,099</b>          | <b>322,541</b>          | <b>1,512,810</b>    |
| 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                                | -                     | -                       | 41,943                  | 41,943              |
| Other comprehensive income for the period            | -                     | -                       | -                       | -                   |
| Total comprehensive income for the period            | -                     | -                       | 41,943                  | 41,943              |
| Dividends 2014/15                                    | -                     | -                       | (15,196)                | (15,196)            |
| Balance as at 30th September 2015 (Unaudited)        | 515,170               | 675,099                 | 272,066                 | 1,462,335           |

\* 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 30th September   | Group           |                 |                         | Company         |                 |                         |
|--|-----------------|-----------------|-------------------------|-----------------|-----------------|-------------------------|
|  | 2016            | 2015            | 31.03.2016<br>(Audited) | 2016            | 2015            | 31.03.2016<br>(Audited) |
| <b>Cash flows from operating activities</b>                                    |                 |                 |                         |                 |                 |                         |
| Profit / (loss) before taxation  | 2,581           | 50,068          | 133,697                 | (3,173)         | 46,495          | 121,697                 |
| <b>Adjustments for:</b>  |                 |                 |                         |                 |                 |                         |
| (Profit)/ Loss on disposal of property, plant and equipment                    | 189             | 262             | (812)                   | 189             | 262             | (783)                   |
| Interest income on placements with banks and government securities             | (1,617)         | (11,210)        | (5,933)                 | (962)           | (10,824)        | (5,141)                 |
| Net change in fair value of fair value through profit or loss financial assets | (6,583)         | -               | (4,146)                 | (6,583)         | -               | (4,146)                 |
| Dividend income  | -               | -               | -                       | (370)           | (3,085)         | (3,085)                 |
| Unwinding of discount on compensation receivable                               | (7,667)         | (6,874)         | (14,133)                | (7,667)         | (6,874)         | (14,133)                |
| Depreciation on property, plant and equipment                                  | 21,170          | 20,748          | 43,450                  | 19,074          | 18,761          | 39,179                  |
| Provision for employee benefits  | 2,645           | 1,821           | 3,203                   | 1,893           | 1,122           | 2,107                   |
| Provision / (reversal of provision) for impairment of trade receivables        | -               | -               | (921)                   | -               | -               | (921)                   |
| <b>Profit before working capital changes</b>                                   | <b>10,718</b>   | <b>54,815</b>   | <b>154,405</b>          | <b>2,401</b>    | <b>45,857</b>   | <b>134,774</b>          |
| (Increase) / decrease in inventories   | (18)            | (2,110)         | (3,098)                 | 553             | (2,389)         | (3,548)                 |
| (Increase) / decrease in trade and other receivables                           | 16,309          | (8,961)         | (7,899)                 | 15,675          | (4,914)         | (6,858)                 |
| Increase / (decrease) in trade and other payables                              | (7,535)         | 25,922          | 28,977                  | (4,068)         | 26,744          | 29,099                  |
| <b>Cash generated from operations</b>  | <b>19,474</b>   | <b>69,666</b>   | <b>172,385</b>          | <b>14,561</b>   | <b>65,298</b>   | <b>153,467</b>          |
| Employee benefits paid   | (1,394)         | (581)           | (733)                   | (1,086)         | (438)           | (590)                   |
| Income tax paid  | (3,021)         | (6,251)         | (17,616)                | (2,005)         | (5,612)         | (15,337)                |
| <b>Net cash generated from operating activities</b>                            | <b>15,059</b>   | <b>62,834</b>   | <b>154,036</b>          | <b>11,470</b>   | <b>59,248</b>   | <b>137,540</b>          |
| <b>Cash flows from investing activities</b>                                    |                 |                 |                         |                 |                 |                         |
| Purchase of property, plant and equipment                                      | (125,809)       | (45,985)        | (76,356)                | (123,792)       | (44,597)        | (66,329)                |
| Proceeds from disposal of property, plant and equipment                        | -               | -               | 5,443                   | -               | -               | 5,318                   |
| Investment on fair value through profit or loss financial assets               | 115,000         | (25,000)        | (176,000)               | 115,000         | (25,000)        | (176,000)               |
| Interest received  | 1,617           | 10,691          | 5,933                   | 962             | 10,305          | 5,141                   |
| Dividend received  | -               | -               | -                       | 370             | 3,085           | 3,085                   |
| <b>Net cash used in investing activities</b>                                   | <b>(9,192)</b>  | <b>(60,294)</b> | <b>(240,980)</b>        | <b>(7,460)</b>  | <b>(56,207)</b> | <b>(228,785)</b>        |
| <b>Cash flows from financing activities</b>                                    |                 |                 |                         |                 |                 |                         |
| Dividend paid  | (14,975)        | (15,087)        | (15,097)                | (14,975)        | (15,087)        | (15,097)                |
| <b>Net cash used in financing activities</b>                                   | <b>(14,975)</b> | <b>(15,087)</b> | <b>(15,097)</b>         | <b>(14,975)</b> | <b>(15,087)</b> | <b>(15,097)</b>         |
| Net increase / (decrease) in cash and cash equivalents                         | (9,108)         | (12,547)        | (102,041)               | (10,965)        | (12,046)        | (106,342)               |
| Cash and cash equivalents at the beginning of the period                       | 32,976          | 135,017         | 135,017                 | 16,729          | 123,071         | 123,071                 |
| <b>Cash and cash equivalents at the end of the Period</b>                      | <b>23,868</b>   | <b>122,470</b>  | <b>32,976</b>           | <b>5,764</b>    | <b>111,025</b>  | <b>16,729</b>           |

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**

**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.

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

**3. Contingent liabilities and capital commitments**

|  | Group  |      | Company |      |
|--|--------|------|---------|------|
|  | 2016   | 2015 | 2016    | 2015 |
| <b>(a) Capital commitments</b>   |        |      |         |      |
| Capital expenditure contracted for at the end of the reporting period but not yet incurred | 86,226 | -    | 86,226  | -    |

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. Stated capital**

The stated capital of the Company as at 30th September 2016 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 |       |
|--|-------|-------|---------|-------|
|  | 2016  | 2015  | 2016    | 2015  |
| <b>Transactions with subsidiaries</b>        |       |       |         |       |
| Reimbursement of expenses                    |       |       |         |       |
| Dividends received                           | -     | -     | 370     | 3,085 |
| <b>Transactions with affiliate companies</b> |       |       |         |       |
| Receiving of services                        | 3,843 | 4,401 | 2,869   | 4,213 |



**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 2016**

| Name of Shareholders                            | Number of Shares | %     |
|---|------------------|-------|
| 1 Carson Cumberbatch PLC                        | 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                           | 161,503          | 0.53  |
| 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                        | 93,000           | 0.31  |
| 8 Mr. H.A. Pieris                               | 70,000           | 0.23  |
| 9 Mr. A.M. Weerasinghe                          | 60,000           | 0.20  |
| 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                          | 40,881           | 0.13  |
| 18 Mr. H. Tirathdas                             | 39,712           | 0.13  |
| 19 Devi Holdings (Pvt) Ltd                      | 35,000           | 0.12  |
| 20 Mr. K.A.S.R. Nissanka                        | 35,000           | 0.12  |

**9. Public holding**

Ordinary shares of the company held by the public as at 30th September 2016 were as follows;

|                               |        |
|-------------------------------|--------|
| Number of public shareholders | 2,653  |
| Percentage of public holding  | 10.01% |

**10. Directors shareholding as at 30th September 2016**

|  | No. of Shares as at 30.09.16 |
|--|------------------------------|
| Mr. D.C.R. Gunawardena                           | -                            |
| Mr. H. Selvanathan                               | -                            |
| Mr. S. Nagendra                                  | -                            |
| Mr. M. Dayananda                                 | -                            |
| Mr. K. Selvanathan                               | -                            |
| Mr. S. Mather ( Appointed w.e.f. 01st July 2016) | -                            |

**INVESTOR INFORMATION**

**11. Share valuation**

|  |       |
|--|-------|
| For the Three months ended 30th September 2016 |       |
| Market value per share (Rs.)                   | 34.20 |
| Highest price per share for the period (Rs.)   | 39.10 |
| Lowest price per share for the period (Rs.)    | 33.00 |

## CORPORATE INFORMATION

|  |  |
|--|--|
| <b>Name of the Company</b>                   | Pegasus Hotels of Ceylon PLC<br>(A Carson Cumberbatch Company)   |
| <b>Company Registration Number</b>           | PQ 40  |
| <b>Legal Form</b>                            | A Public Quoted Company with limited liability<br>(Incorporated in Sri Lanka in 1966)  |
| <b>Parent and Ultimate Controlling Party</b> | 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. |
| <b>Directors</b>                             | Chandima Gunawardena (Chairman)<br>Hari Selvanathan<br>Sega Nagendra<br>Mahendra Dayananda<br>Krishna Selvanathan<br>Sujendra Mather (Appointed w.e.f. 01st July 2016)   |
| <b>Bankers</b>                               | Commercial Bank of Ceylon PLC<br>Standard Chartered Bank<br>Sampath Bank PLC<br>Deutsche Bank AG<br>Hatton National Bank   |
| <b>Auditors</b>                              | Messrs. KPMG<br>Chartered Accountants<br>32A, Sir Mohamed Macan Marker Mawatha<br>Colombo 03<br>Sri Lanka  |
| <b>Managers &amp; Secretaries</b>            | Carsons Management Services (Private) Limited<br>61, Janadhipathi Mawatha<br>Colombo 01<br>Sri Lanka<br>Tel: 0112039200<br>Fax: 0112039300   |
| <b>Registered Office</b>                     | 61, Janadhipathi Mawatha<br>Colombo 01<br>Sri Lanka  |
| <b>Place of Business</b>                     | Santha Maria Mawatha<br>Wattala<br>Sri Lanka   |
| <b>Corporate Website</b>                     | <a href="http://www.carsoncumberbatch.com">www.carsoncumberbatch.com</a>   |