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# Corporate Information

## **NAME OF COMPANY**

Pegasus Hotels of Ceylon Ltd.  
*(A Carson Cumberbatch Company)*

## **LEGAL FORM**

A Public Quoted Company with Limited Liability  
Incorporated in Sri Lanka in 1966.

## **DIRECTORS**

Reginald F. Poulter *(Chairman)*  
Mano Selvanathan  
Hari Selvanathan  
Sega Nagendra  
Wijaya Unamboowe *(Resigned w.e.f. 31st March 2002)*  
D. Chandima R. Gunawardena  
A. Kenneth Sellayah *(Resigned w.e.f. 31st March 2002)*  
G. Udaya Nanayakkara

## **PLACE OF BUSINESS**

Santha Maria Mawatha, Wattala.

## **BANKERS**

Commercial Bank of Ceylon  
HSBC  
Sampath Bank

## **AUDITORS**

Messrs. KPMG Ford, Rhodes, Thornton & Company  
Chartered Accountants,  
No. 32A, Sir Mohamed Macan Markar Mawatha,  
Colombo 3.

## **MANAGERS & SECRETARIES**

Carsons Management Services (Pvt) Ltd.  
No. 61, Janadhipathi Mawatha,  
Colombo 1.

## **REGISTERED OFFICE**

No. 61, Janadhipathi Mawatha,  
Colombo 1.

## **MANAGERS OF THE HOTEL**

Keells Hotel Management Services Ltd.  
No. 130, Glennie Street,  
Colombo 2.

## **COMMITTEE OF MANAGEMENT**

A. K. Sellayah *(Resigned with effect from 31st March 2002)*  
Ms. S. K. De Silva  
S. K. Thambyah  
A. Weeratunge  
T. Ganeshan  
S. Karunasena  
P. Perera  
E. Rodrigo  
N. Munasinghe  
R. Godage  
Ms. M. Pillai

## **CORPORATE WEBSITE**

[www.carsoncumberbatch.com](http://www.carsoncumberbatch.com)

# Chairman's Statement



On behalf of the Board of Directors, I have much pleasure in welcoming you to the Thirty-Sixth Annual General Meeting and in presenting the Annual Report and Audited Accounts of Pegasus Hotels of Ceylon Ltd., for the year ended 31st March, 2002.

The overwhelming incident at Katunayake in July was followed by a terrorist attack in the US, which caused inconceivable devastation. These incidents in Sri Lanka and in the USA have led to unprecedented increases in insurance charges, serious disruptions and cutbacks in air traffic inflicting a severe blow to the tourism industry worldwide. The tourist industry which was geared for a recovery, registered a promising 10% increase in arrivals during the first half of the calendar year 2001 compared to the corresponding period of the preceding year but declined dramatically due to events in July and the September 11th. Total arrivals for the year under review were 336,794 the lowest since 1999.

To make matters worse the global economic downturn escalated the hardships of an industry, which was already hard hit. The Sri Lankan economy, which has gone into recession, showed no signs of change during the last year with a negative growth rate of 1.3%. However the new business friendly policies that are emerging in the country are encouraging and has inspired investor confidence with its new strategies to elevate the Sri Lankan economy despite the global economic recession. The commitment of the Government towards revitalising the tourism industry and related industries is evident in the interest and effort, it has taken in formulating a new policy for the betterment of the industry, which has been given its due place as a key foreign exchange earner for the country. The newly mooted country promotions have also had a beneficial effect with new generating markets such as India showing promising growth.

As a result of the industry downturn Pegasus revenue declined by Rs. 32 mn increasing the loss by Rs. 18 mn. Although the year ended with a disappointing performance, the hotel management and staff strived conscientiously to overcome the disastrous set-backs throughout the year in a fiercely competitive environment. It is my hope that the year concluded marks the end of some of the worst times seen by your Company and the industry as a whole.

On behalf of the Company, I must place on record our sincere thanks to Mr. Wijaya Unamboowe and Mr. Ken Sellayah, who resigned from the Board with effect from 31st March 2002. Their dedicated service for many years was a strength to us in difficult times. On behalf of the Board as well as the staff, I would like to wish them well in their future endeavours.

In conclusion, I would like to extend our sincere thanks to all our staff for their effort and managers for their commitment. My heartfelt appreciation goes to our valued shareholders for their undaunted support and confidence placed in the Company and to our managing agents, Keells Hotel Management Services for their perseverance. Last, but not least, I thank my colleagues on the Board of Directors for their invaluable input and support, which made my task easier, given the difficult times we faced.

**Reginald F. Poulier**  
*Chairman*

2nd May, 2002



# Review of Operations

The economy, which went into recession in 2001, showed no signs of significant activity in almost all sectors including tourism. A significant slow down in the world economy, particularly the economic slump in countries relevant to Sri Lanka's major businesses, affected tourism and related industries and trade sectors. The impact on the tourist industry was severe due to negative publicity consequent to events at the international airport with many countries issuing travel warnings, the reduction in airline seats available to and from the country and the substantial hike in ticket prices due to the insurance surcharge temporarily levied on aircrafts coming to Sri Lanka. The ailing industry also suffered a double blow from the September 11 attacks in US. According to experts, tourism has contracted by 50 to 60 per cent in Sri Lanka in 2001.

Following significant decreases in tourist arrivals, which fell 16%, hotels in the country were forced to resort to contingent strategies in order to stay afloat. Many hotels scaled down operations in line with forecasted low occupancies and offered packages at highly discounted prices mainly targeting local and regional customer bases. Pegasus too followed suit by significantly scaling down the operations and its managing agent Keells Hotel Management Services Ltd. marketing the hotel to both local and international customers offering very competitive packages.

As the hotel industry fights back with revenue-enhancing ideas to stave off the negative impact of the economic downturn and other implications, the construction of planned new hotels and the expansion of existing properties have been put on hold in many locations.

## OPERATING RESULTS

Pegasus recorded an average occupancy of 26% during the year ended 31st March, 2002, which is a significant decline when compared with the 48% occupancy during the preceding year. Revenue for the year decreased to Rs. 59.2 mn in 2001/ 2002 from Rs. 90.9 mn in 2000/ 2001.

Low margins as a direct result of the foregoing, a significant rise in inflation and increased cost of utilities resulted in the operating loss increasing to Rs. 19.8 mn compared to Rs. 1.5 mn recorded during the corresponding period last year. With higher finance costs adding further pressure, the Company posted a net loss of Rs. 32.6 mn in contrast to a loss of Rs. 14 mn recorded during the previous year.

Company availed itself of all the concessions offered by the financial institutions through Government intervention on its existing long-term loans. The moratorium on interest and capital for six months, provided some temporary relief to the hard-hit industry but yielded no permanent solution. Ironically, the grace period expired in March 2002, in the middle of the off-season which did not help the industry at all. Further, the moratorium though providing some cash flow relief does not support the profitability as the deferred interest has still to be provided for in the books.

Although the hotel is now in need of some refurbishment the non-viability of further investment prevented the commencement of this programme.



#### **DIVIDENDS, APPROPRIATION AND INVESTOR INFORMATION**

The shortfall for the year, together with the brought forward losses leaves a total loss of Rs. 61.5 mn to be carried forward. In view of the carried forward losses, no appropriations including dividend were made. The market price of the Company's shares closed at Rs. 10/- as at 31st March, 2002 compared to Rs. 5/- recorded as at 31st March, 2001.

#### **FUTURE PROSPECTS**

Tourism is the country's fourth largest foreign exchange earner. The Government has classified tourism as a priority sector and has granted a wide range of incentives and concessions for investors.

Focussed attempts to diversify generating markets and promote Sri Lanka overseas are beginning to show positive results. Colombo City Hoteliers agreed to a minimum room rate of USD 75 for Meeting, Incentives, Conferences and Exhibitions (MICE). The industry has reached a consensus to work together and maintain standards and improve the quality of service, which augurs well for the future.

The on going peace process has given a boost to tourist arrivals since its initiation. This has given a much-needed push to the industry with arrivals forecast to grow at a steady pace. With a concerted effort from both the Government and private sector this industry certainly has the potential to become profitable once again in the medium to long-term.

**Carsons Management Services (Pvt) Ltd.**

*Managers*

Colombo  
2nd May, 2002



# Report of the Directors

The Directors are pleased to submit their Report for the twelve months ended 31st March, 2002 together with the audited financial statements of the Company.

## REVIEW FOR THE YEAR AND FUTURE DEVELOPMENTS

The Chairman's Statement and the Review of Operations describe in detail the year's operations and projected developments of the Company.

## THE PRINCIPAL ACTIVITY OF THE COMPANY

The Company owns and operates Pegasus Reef Hotel, Wattala.

## FINANCIAL RESULTS

<i>For the year ended 31st March</i>	<b>2002</b>	2001
	<b>Rs.</b>	Rs.
Loss for the year after taxation	<b>(32,636,280)</b>	(13,954,495)
Accumulated loss brought forward	<b>(28,909,932)</b>	(14,955,437)
Accumulated loss carried forward	<b>(61,546,212)</b>	(28,909,932)

## RESERVES

After absorbing the above loss, the total reserves as at 31st March, 2002 stood at Rs. 198.74 mn (2001 - Rs. 231.38 mn). The movements are set out in the Statement of Changes in Equity.

## CAPITAL EXPENDITURE

The total expenditure on acquisition of property, plant & equipment, during the year, amounted to Rs. 1.66 mn (2001 - 6.53 mn). The movements are set out in Note 6 to the financial statements.

## VALUE OF PROPERTIES

The Company's property shown in the financial statements carries a market value of Rs. 391.54 mn, based on a valuation carried out as at 31st March, 2001 by an independent qualified valuer.

## STATUTORY PAYMENTS

The Directors to the best of their knowledge and belief are satisfied that all statutory dues have been paid up to date, or have been provided for in the financial statements.

## GOING CONCERN

The Board of Directors are satisfied that the Company has adequate resources to continue its operations in the foreseeable future. Accordingly, financial statements are prepared based on the going concern concept.

## DIRECTORATE

The names of the Directors who served during the year are shown on page 1.

In terms of Article 84 of the Articles of Association, Messrs. H. Selvanathan and D.C.R. Gunawardena retire from the Board, but being eligible offer themselves for re-election.

Mr. W. Unamboowe and Mr. A.K. Sellayah relinquished their positions as Directors of the Company with effect from 31st March, 2002.

## AUDIT AND COMPLIANCE COMMITTEE

An audit and compliance committee comprising of following members was appointed with effect from 1st April, 2002:

Tilak de Zoyza (*Chairman*)  
Tennyson Rodrigo  
D.C.R. Gunawardena

## DIRECTORS' INTERESTS IN CONTRACTS

Directors' interests in contracts of the Company are disclosed in Note 21 to the financial statements and have been declared at meetings of the Directors. The Directors have no direct or indirect interests in any other contracts or proposed contracts of the Company, while they had the following interests in shares of the Company.



<i>As at 31st March</i>	<b>2002 No. of Shares</b>	2001 No. of Shares
R. F. Poulier	-	-
M. Selvanathan	-	-
H. Selvanathan	-	-
S. Nagendra	-	-
W. Unamboowe ( <i>resigned w.e.f. 31st March 2002</i> )	<b>40</b>	40
D. C. R. Gunawardena	<b>78</b>	78
A. K. Sellayah ( <i>resigned w.e.f. 31st March 2002</i> )	<b>3,200</b>	3,200
G. U. Nanayakkara	-	-

#### **SUBSTANTIAL SHAREHOLDINGS**

The substantial holdings in the issued share capital of the Company have been disclosed in Note 4 of the Information to Shareholders & Investors. As at 31st March, 2002 the Company had 795 shareholders (2001 - 779) whose holdings are indicated in Note 3 of the Information to Shareholders & Investors.

#### **DIVIDEND**

No dividend was declared in view of the current year and brought forward loss.

#### **EVENTS OCCURRING AFTER THE BALANCE SHEET DATE**

Subsequent to the Balance Sheet date, no circumstances have arisen, which required adjustments to or disclosure in the financial statements.

#### **AUDITORS**

Messrs. KPMG Ford, Rhodes, Thornton & Company are eligible for re-appointment.

By Order of the Board,  
**Carsons Management Services (Pvt) Ltd.**  
*Managers & Secretaries*

Colombo  
2nd May, 2002



# Statement of Directors' Responsibilities

The responsibilities of the Directors, in relation to the financial statements, are detailed in the following paragraphs while the responsibilities of the Auditors are set out in the Report of the Auditors.

According to the Companies Act, No. 17 of 1982 and the Sri Lanka Accounting and Auditing Standards Act, No. 15 of 1995, Directors are required to prepare financial statements for each financial year, giving a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss for the said period.

In preparing these financial statements the Directors are required to ensure that:

- appropriate accounting policies have been selected and applied consistently while material departures, if any, have been disclosed and explained,
- all applicable Accounting Standards have been complied with and,
- reasonable and prudent judgements and estimates have been made.

The Directors are responsible for ensuring that the Company maintains sufficient accounting records to disclose with reasonable accuracy, the financial position of the Company, in order to ensure that the financial statements of the Company meet with the requirements of the Sri Lanka Accounting and Auditing Standards Act, No. 15 of 1995 and the Companies Act, No. 17 of 1982. They are also responsible for taking reasonable measures to safeguard the assets of the Company and in this regard to give proper consideration to the establishment of appropriate systems of internal control with a view to prevent, detect and rectify frauds and other irregularities.

These financial statements have been prepared on a going concern basis, since the Directors are of the view that the Company has adequate resources to continue in operation for the foreseeable future.

The Directors are also of the view that they have discharged their responsibilities as set out in this statement.

By Order of the Board,  
**Carsons Management Services (Pvt) Ltd.**  
*Managers & Secretaries*

Colombo  
2nd May, 2002

# Report of the Auditors



## **TO THE MEMBERS OF PEGASUS HOTELS OF CEYLON LTD.**

We have audited the Balance Sheet of Pegasus Hotels of Ceylon Ltd. as at 31st March, 2002 and the related Statements of Income, Changes in Equity and Cash Flow for the year then ended, together with the Accounting Policies and Notes as set out on pages 9 to 23 of the Annual Report.

### **Respective Responsibilities of Directors and Auditors**

The Directors are responsible for preparing and presenting these financial statements in accordance with the Sri Lanka Accounting Standards. Our responsibility is to express an opinion on these financial statements, based on our audit.

### **Basis of Opinion**

We conducted our audit in accordance with the Sri Lanka Auditing Standards, which require that we plan and perform the audit to obtain reasonable assurance about whether the said financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the said financial statements, assessing the accounting principles used and significant estimates made by the Directors, evaluating the overall presentation of the financial statements, and determining whether the said financial statements are prepared and presented in accordance with the Sri Lanka Accounting Standards. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit. We therefore believe that our audit provides a reasonable basis for our opinion.

### **Opinion**

In our opinion, so far as appears from our examination, the Company maintained proper books of account for the year ended 31st March, 2002 and to the best of our information and according to the explanations given to us, the said Balance Sheet and related Statements of Income, Changes in Equity, Cash Flow and the Accounting Policies and Notes thereto, which are in agreement with the said books have been prepared and presented in accordance with the Sri Lanka Accounting Standards and provide the information required by the Companies Act, No. 17 of 1982, and give a true and fair view of the Company's state of affairs as at 31st March, 2002, and its Loss and Cash Flow for the year then ended.

### **Directors' Interests in Contracts with the Company**

According to the information made available to us, the Directors of the Company were not directly or indirectly interested in contracts with the Company during the year ended 31st March, 2002 other than those disclosed in Note 21 to these financial statements.

### *Chartered Accountants*

Colombo  
2nd May, 2002



# Income Statement

*(All figures are in Sri Lankan Rupees)*

<i>Year ended 31st March</i>	Note	2002	2001
<b>Revenue</b>	1	<b>59,170,833</b>	90,869,472
Cost of sales		<b>(16,763,425)</b>	(21,781,385)
<b>Gross profit</b>		<b>42,407,408</b>	69,088,087
Selling and promotional cost		<b>(835,878)</b>	(1,276,470)
Administrative expenses		<b>(42,812,505)</b>	(51,713,624)
Other operating expenses		<b>(18,539,513)</b>	(17,570,519)
<b>Loss from operations</b>	2	<b>(19,780,488)</b>	(1,472,526)
Finance cost	3	<b>(12,855,792)</b>	(12,481,969)
<b>Loss before taxation</b>		<b>(32,636,280)</b>	(13,954,495)
Taxation	4	-	-
<b>Loss for the year after taxation</b>		<b>(32,636,280)</b>	(13,954,495)
Accumulated loss brought forward		<b>(28,909,932)</b>	(14,955,437)
<b>Accumulated loss carried forward</b>		<b>(61,546,212)</b>	(28,909,932)
Loss per share	5	<b>(4.58)</b>	(1.96)

The Accounting Policies and Notes from page 13 to 23 form an integral part of the financial statements.

*Figures in brackets indicate deductions.*

# Balance Sheet



(All figures are in Sri Lankan Rupees)

As at 31st March	Note	2002	2001
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant & equipment	6	408,696,931	414,691,501
<b>Current assets</b>			
Inventories	7	6,068,596	7,110,383
Trade and other receivables	8	7,778,758	26,056,715
Cash at bank and in hand		276,522	346,506
		<b>14,123,876</b>	<b>33,513,604</b>
<b>Total assets</b>		<b>422,820,807</b>	<b>448,205,105</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and Reserves</b>			
Share capital	9	71,230,170	71,230,170
Capital reserves	10	260,114,054	260,114,054
Revenue reserves	11	(61,370,040)	(28,733,760)
<b>Total equity</b>		<b>269,974,184</b>	<b>302,610,464</b>
<b>Non-current liabilities</b>			
Long-term borrowings	12	21,260,990	23,942,608
Retirement benefit obligations	13	1,515,432	1,422,794
		<b>22,776,422</b>	<b>25,365,402</b>
<b>Current liabilities</b>			
Trade and other payables	14	15,681,541	20,881,937
Amounts due to related Companies	15	66,223,727	57,982,453
Long-term loans repayable within one year	12	13,811,688	12,127,608
Bank overdrafts		34,353,245	29,237,241
		<b>130,070,201</b>	<b>120,229,239</b>
<b>Total equity and liabilities</b>		<b>422,820,807</b>	<b>448,205,105</b>
Net Assets per ordinary share	16	<b>37.90</b>	42.48

The Accounting Policies and Notes from page 13 to 23 form an integral part of the financial statements.

Figures in brackets indicate deductions.

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,

**D. C. R. Gunawardena**

Director

**M. Selvanathan**

Director

**S. Nagendra**

Director

**Carsons Management Services (Pvt) Ltd.**

Colombo

2nd May, 2002



# Statement of Changes in Equity

*(All figures are in Sri Lankan Rupees)*

*For the year ended 31st March, 2002*

	Note	Share Capital	Revaluation Reserve	Capital Accretion Reserve	General Reserve	Accumulated Loss	Total Equity
Balance as at							
1st April, 2000		71,230,170	82,488,772	15,144,002	176,172	(14,955,437)	154,083,679
Net loss for the year		-	-	-	-	(13,954,495)	(13,954,495)
Surplus on revaluation		-	162,481,280	-	-	-	162,481,280
Balance as at							
31st March, 2001	10 & 11	71,230,170	244,970,052	15,144,002	176,172	(28,909,932)	302,610,464
Balance as at							
1st April, 2001		71,230,170	244,970,052	15,144,002	176,172	(28,909,932)	302,610,464
Net loss for the year		-	-	-	-	(32,636,280)	(32,636,280)
<b>Balance as at</b>							
<b>31st March, 2002</b>	<b>10 &amp; 11</b>	<b>71,230,170</b>	<b>244,970,052</b>	<b>15,144,002</b>	<b>176,172</b>	<b>(61,546,212)</b>	<b>269,974,184</b>

The Accounting Policies and Notes from page 13 to 23 form an integral part of the financial statements.

*Figures in brackets indicate deductions.*

# Cash Flow Statement



(All figures are in Sri Lankan Rupees)

Year ended 31st March	Note	2002	2001
<b>Cash flows from operating activities</b>			
Loss before taxation		(32,636,280)	(13,954,495)
Adjustments for:			
Profit on disposal of property, plant & equipment		(7,518)	(142,222)
Depreciation on property, plant & equipment	6	7,621,868	7,258,083
Provision for gratuity	13	390,362	186,963
Finance cost	3	12,855,792	12,481,969
Operating profit/(loss) before working capital changes		(11,775,776)	5,830,298
(Increase)/decrease in inventories		1,041,787	(700,138)
(Increase)/decrease in Trade and other receivables		18,277,957	(9,066,684)
Increase/(decrease) in Trade and other payables		(5,200,396)	9,858,138
Increase in amounts due to related companies		8,241,274	19,455,803
Cash generated from operations		10,584,846	25,377,417
Finance cost paid		(10,048,974)	(12,481,969)
Gratuity paid	13	(297,724)	(168,032)
<b>Net cash generated from operating activities</b>		<b>238,148</b>	<b>12,727,416</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of property, plant & equipment		37,590	160,000
Purchase of property, plant & equipment	6	(1,657,370)	(6,527,021)
<b>Net cash used in investing activities</b>		<b>(1,619,780)</b>	<b>(6,367,021)</b>
<b>Cash flows from financing activities</b>			
Loans repaid during the year	12	(3,804,356)	(10,252,608)
<b>Net cash used in financing activities</b>		<b>(3,804,356)</b>	<b>(10,252,608)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(5,185,988)</b>	<b>(3,892,213)</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>(28,890,735)</b>	<b>(24,998,522)</b>
<b>Cash and cash equivalents at the end of the year (Note A)</b>		<b>(34,076,723)</b>	<b>(28,890,735)</b>
<b>Note A - Cash and cash equivalents</b>			
Cash at bank and in hand		276,522	346,506
Bank overdrafts		(34,353,245)	(29,237,241)
		<b>(34,076,723)</b>	<b>(28,890,735)</b>

The Accounting Policies and Notes from page 13 to 23 form an integral part of the financial statements.

Figures in brackets indicate deductions.



# Significant Accounting Policies

## 1. GENERAL POLICIES

### 1.1 Basis of Preparation

The financial statements of Pegasus Hotels of Ceylon Ltd., comprise the Balance Sheet, Income Statement, Statement of Changes in Equity, Cash Flow Statement, Accounting Policies and Notes to the financial statements. These statements are prepared in accordance with the Accounting Standards laid down by the Institute of Chartered Accountants of Sri Lanka.

The Accounting Policies have been applied by the Company consistent with the previous year, and the previous year figures and phrases have been re-arranged wherever necessary to conform to the current year's presentation.

The financial statements of the Company have been prepared on a historical cost convention except for revaluation of certain property, plant & equipment as stated in the respective Notes to the financial statements.

All values presented in the financial statements are in Sri Lankan Rupees (Rs.) unless otherwise indicated.

### 1.2 Borrowing Costs

Borrowing costs are recognised as an expense in the period in which they are incurred, except those that are directly attributable to the acquisition/construction of property, plant & equipment which are capitalised as part of the cost of the asset during the period of construction/development.

### 1.3 Conversion of Foreign Exchange

All foreign exchange transactions are converted at the rates of exchange prevailing at the time the transactions are effected. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the Balance Sheet date. The resulting gains and losses are accounted for in the Income Statement.

### 1.4 Taxation

The Company's liability to taxation has been computed in accordance with the provisions of the Inland Revenue Act, No. 38 of 2000 and Surcharge on Income Tax Act, No. 6 of 2001.

### 1.5 Deferred Taxation

Deferred taxation is provided on the liability method. The tax effect on all timing differences which occur when items are allowed for income tax purposes in a period different to which they are recognised in financial statements is included in the provision for deferred taxation at current rates of taxation.

### 1.6 Events occurring after the Balance Sheet date

The materiality of events occurring after the Balance Sheet date has been considered and appropriate adjustments to or disclosure has been made in the financial statements where necessary.



## 2. ASSETS AND BASES OF THEIR VALUATION

Assets classified as current assets in the Balance Sheet are cash and those which are expected to be realised in cash, during the normal operating cycle of the Company's business or within one year from Balance Sheet date, whichever is shorter. Assets other than current assets are those which the Company intends to hold beyond a period of one year from the Balance Sheet date.

### 2.1 Property, Plant & Equipment and Depreciation

#### 2.1.1 Valuation

Property, plant & equipment are stated at cost or valuation less accumulated depreciation, provided on the bases specified below.

The cost of property, plant & equipment is the cost of acquisition or construction together with any expenses incurred in bringing the assets to its working condition for its intended use.

#### 2.1.2 Revaluation

The freehold land & buildings have been revalued. Revaluation of these assets are carried out once in five years in order to ensure that the book value reflects the realisable value. Any surplus or deficits arising from revaluation is adjusted through the revaluation reserve.

#### 2.1.3 Depreciation

Depreciation is provided on a straight line basis over the estimated useful lives of different types of assets, at varying rates specified on their cost or revalued amounts as follows:

	per annum
Buildings	1%
Plant & machinery	7.5%
Furniture & fittings	5%
Equipment	7.5%
Motor vehicles	25%

No depreciation is provided on freehold land.

No depreciation is provided in the year of purchase while a full year's depreciation is provided in the year of disposal.

#### 2.1.4 Capital Work-in-Progress

Capital work-in-progress is transferred to the respective asset accounts at the time of first utilisation of the asset or at the time the asset is commissioned.

## 2.2 Inventories

Inventories are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items. Net realisable value is the price at which inventories can be sold in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale. The cost of each category of inventory is determined on the following basis:

Food - first in first out basis.

Crockery & Cutlery - first in first out basis.

Engineering spares and others - weighted average basis.

Linen stocks - in the year of purchase at cost and in the second year in use, at 25% of the cost.



### 2.3 Trade and Other Receivables

Trade and other receivables are stated at the amounts estimated to be realised. Where necessary, provision has been made for bad and doubtful debts.

### 2.4 Cash and Cash Equivalents

For the purpose of the Cash Flow Statement, cash and cash equivalents comprise cash at bank and in hand, short-term deposits with banks, net of bank overdrafts and overnight borrowings.

## 3. LIABILITIES AND PROVISIONS

Liabilities classified as current liabilities in the Balance Sheet are those obligations payable on demand or within one year from the Balance Sheet date. Items classified as long-term liabilities are those obligations which expire beyond a period of one year from the Balance Sheet date.

All known liabilities have been accounted for in preparing the financial statements. Provisions and liabilities are recognised when the Company has a legal or constructive obligation as a result of past events and it is probable that an outflow of economic benefits will be required to settle the obligation.

### 3.1 Retirement Benefit Obligations

#### 3.1.1 Defined Benefit Plan - Gratuity

The Company is liable to pay Gratuity in terms of the Payment of Gratuity Act, No. 12 of 1983.

Gratuity provision for employees has been made on the basis of an actuarial valuation as at 31st March, 2001 which was carried out by Messrs Actuarial & Management Consultants (Pvt) Ltd. adjusted for liabilities as at 31st March, 2002. As recommended by the relevant Sri Lanka Accounting Standard, the "Projected Unit Credit" (PUC) method has been used in this valuation. It is expected that such actuarial valuations will be carried out once in every three years. The principal assumptions made are given below:

Rate of discount	11.00% p.a. (net of tax)
Rate of pay increase	10.00% p.a.
Withdrawal and Disability	5.00% p.a.
Retirement age	55 years

The Company will continue in business as a going concern.

The liability is not externally funded.

#### 3.1.2 Defined Contribution Plan - Employees' Provident Fund and Employees' Trust Fund

All employees who are eligible for Employees' Provident Fund contributions and Employees' Trust Fund contributions are covered by relevant contribution funds in line with the respective statutes. Contributions to the defined contribution plans are recognised as an expense in the Income Statement when incurred.



### 3.2 Capital Commitments and Contingent Liabilities

Capital commitments and contingencies which exist as at the Balance Sheet date are disclosed in the respective Notes to the financial statements.

## 4. INCOME STATEMENT

### 4.1 Revenue Recognition

Revenue is matched with the related expenditure and is recognised in accordance with Sri Lanka Accounting Standard No. 29 in the following manner:

Room Revenue - on a daily basis on the rooms occupied.

Food & Beverage Revenue - recognised at the time of sale.

Other Income - on an accrual basis.

Gain or loss of a revenue nature resulting from a disposal of property, plant & equipment have been accounted for in the Income Statement and where the gain is on immovable property, such gain is appropriated to capital accretion reserve.

### 4.2 Expenditure Recognition

*The Profit/(Loss) before taxation is arrived at after*

**4.2.1** providing for bad and doubtful debts, all known liabilities and depreciation on property, plant & equipment.

**4.2.2** Charging all expenses incurred in day-to-day operations of the business and in maintaining the property, plant & equipment in a state of efficiency.

**4.3** For the purpose of presentation of the Income Statement, the Directors are of the view that Function of Expenses Method fairly presents the elements of the Company's performance. Hence such a presentation method is adopted.

## 5. RELATED PARTY TRANSACTIONS

Disclosure has been made in respect of the transactions in which one party has the ability to control or exercise significant influence over the financial and operating decisions/policies of the other, irrespective of a price being charged.



# Notes to the Financial Statements

(All figures in Notes to the financial statements are in Sri Lankan Rupees unless otherwise stated)

	31st March 2002	31st March 2001
<b>1. REVENUE</b>		
<b>1.1 Revenue Analysis (Net)</b>		
Room revenue	27,420,679	50,501,310
Food and beverage revenue	27,658,764	35,440,429
Others	4,091,390	4,927,733
	<b>59,170,833</b>	<b>90,869,472</b>
<b>2. LOSS FROM OPERATIONS</b>		
Loss from operations is stated after charging/(crediting) all expenses/(income) including the following:		
Auditors' remuneration	75,000	62,000
Management fees - Keells Hotel Management Services Ltd.	1,887,126	4,566,848
- Carsons Management Services (Pvt) Ltd.	1,887,126	2,896,476
Depreciation	7,621,868	7,258,083
Foreign exchange gain	(323,702)	(668,968)
Profit on disposal of property, plant & equipment	(7,518)	(142,222)
Personnel costs (Note 2.1)	17,745,851	18,631,676
<b>2.1 Personnel Costs</b>		
Salaries, wages and other related expenses	15,890,739	16,073,339
Defined benefit plan cost - Gratuity	390,362	186,963
Defined contribution plan cost - EPF & ETF	1,464,750	2,371,374
	<b>17,745,851</b>	<b>18,631,676</b>
The above include:		
Directors' emoluments	-	-
Directors' fees	40,000	65,000
	<b>40,000</b>	<b>65,000</b>
<b>3. FINANCE COST</b>		
Interest expenses - Long-term loans	6,028,723	7,681,326
Interest expenses - Overdrafts	6,827,069	4,800,643
	<b>12,855,792</b>	<b>12,481,969</b>
<b>4. TAXATION</b>		
<b>4.1</b> In terms of the provisions of the Inland Revenue Act, No. 38 of 2000, the operating profits of the Company is liable to income tax at 15%. In view of the tax loss, no provision has been made in the financial statements.		



#### 4. TAXATION (Contd.)

##### 4.2 Reconciliation between tax expenses/(income) and the product of accounting loss:

	31st March 2002	31st March 2001
Accounting loss before tax	(32,636,280)	(13,954,495)
Aggregate disallowable items	8,852,144	8,035,202
Aggregate allowable items	(3,876,388)	(9,592,914)
Taxable loss	(27,660,524)	(15,512,207)
Tax loss brought forward	(120,868,210)	(105,356,003)
Tax loss carried forward	(148,528,734)	(120,868,210)

##### 4.3 Analysis of Tax Loss:

	Tax loss Incurred Rs.	Period available for
Loss on Depreciation of Capital Assets	25,274,836	Indefinitely
Loss incurred in		
1997/98	92,024,068	2 years
1999/00	231,677	4 years
2000/01	6,916,293	5 years
2001/02	24,081,860	6 years
	148,528,734	

4.4 Investment tax allowance of approximately Rs. 9.3 mn is being carried forward for set off against assessable income of future years.

4.5 In view of the Company's brought forward tax loss, no provision has been made for deferred taxation with regard to timing differences.

#### 5. LOSS PER SHARE

The loss per share of Rs. (4.58) [2001 - Rs. (1.96)] is calculated on the net loss after taxation over the number of ordinary shares in issue as at the Balance Sheet date.

The following reflects the income and share data used in the loss per share computation:

	31st March 2002	31st March 2001
<b>Amounts used as the Numerator</b>		
Net loss attributable to ordinary shareholders	(32,636,280)	(13,954,495)
<b>Number of ordinary shares in issue used as the Denominator</b>		
	7,123,017	7,123,017
<b>Loss per ordinary share</b>	<b>(4.58)</b>	<b>(1.96)</b>



## 6. PROPERTY, PLANT & EQUIPMENT

6.1	Freehold Land	Freehold Building	Plant & Machinery	Furniture & Fittings	Equipment	Motor Vehicles	Work-in- Progress	Total as at 31st March 2002	Total as at 31st March 2001
<b>Cost/Valuation</b>									
Balance as at the beginning of the year	192,776,000	198,766,000	24,221,471	11,574,340	19,637,182	7,064,367	322,815	454,362,175	298,111,765
Additions	-	-	1,517,498	29,862	-	-	110,010	1,657,370	6,527,021
Disposals	-	-	-	(37,590)	-	-	-	(37,590)	(320,000)
Revaluation	-	-	-	-	-	-	-	-	150,043,389
Balance as at the end of the year	192,776,000	198,766,000	25,738,969	11,566,612	19,637,182	7,064,367	432,825	455,981,955	454,362,175
<b>Depreciation</b>									
Balance as at the beginning of the year	-	-	21,809,311	3,093,825	11,235,354	3,532,184	-	39,670,674	45,170,482
Charge for the year	-	1,987,660	1,816,610	578,717	1,472,789	1,766,092	-	7,621,868	7,258,083
On disposals	-	-	-	(7,518)	-	-	-	(7,518)	(320,000)
Revaluation	-	-	-	-	-	-	-	-	(12,437,891)
Balance as at the end of the year	-	1,987,660	23,625,921	3,665,024	12,708,143	5,298,276	-	47,285,024	39,670,674
<b>Net Book Value</b>									
As at 31st March 2002	192,776,000	196,778,340	2,113,048	7,901,588	6,929,039	1,766,091	432,825	408,696,931	
As at 31st March 2001	192,776,000	198,766,000	2,412,160	8,480,515	8,401,828	3,532,183	322,815		414,691,501

6.2 Carrying value of the revalued assets as at 31st March, 2002, if carried at historical cost are given below:

	Freehold Land	Freehold Building
<b>Carrying value of Revalued assets if carried at historical cost:</b>		
Cost	8,190,026	125,980,635
Accumulated depreciation	-	(7,986,534)
	8,190,026	117,994,101

6.3 Freehold land and buildings were written up in the books of accounts to conform to the market values as at 31st March, 2001, based on a valuation conducted on a going concern basis by Independent valuers Messrs. A.Y. Daniel & Son. The resultant surplus arising therefrom, was transferred to the revaluation reserve and included under capital reserves.



	As at 31st March 2002	As at 31st March 2001
<b>7. INVENTORIES</b>		
Food	394,213	599,011
Beverage	421,221	550,830
Engineering spares	1,268,248	1,276,073
Cutlery, crockery and linen	3,273,883	3,817,796
Others	711,031	866,673
	<b>6,068,596</b>	<b>7,110,383</b>
<b>8. TRADE AND OTHER RECEIVABLES</b>		
Trade debtors	7,893,229	25,166,980
Less: Provision for doubtful debts	<b>(1,000,000)</b>	<b>(550,000)</b>
	<b>6,893,229</b>	<b>24,616,980</b>
Advances, prepayments and other receivables	657,880	1,194,824
Loans given to company officers (Note 8.1)	227,649	244,911
	<b>7,778,758</b>	<b>26,056,715</b>
<b>8.1 Loans given to Company Officers</b>		
Balance as at the beginning of the year	244,911	262,357
Granted during the year	463,068	990,105
Recovered during the year	<b>(480,330)</b>	<b>(1,007,551)</b>
Balance as at the end of the year	<b>227,649</b>	<b>244,911</b>
<b>9. SHARE CAPITAL</b>		
<b>Authorised</b>		
9,780,000 Ordinary Shares of Rs. 10/- each	97,800,000	97,800,000
170,000 "A" Class 9% Redeemable Cumulative Preference Shares of Rs. 10/- each	1,700,000	1,700,000
50,000 "B" Class 9% Redeemable Cumulative Preference Shares of Rs. 10/- each	500,000	500,000
	<b>100,000,000</b>	<b>100,000,000</b>
<b>Issued and Fully Paid</b>		
7,123,017 Ordinary Shares of Rs. 10/- each	<b>71,230,170</b>	<b>71,230,170</b>



	As at 31st March 2002	As at 31st March 2001
<b>10. CAPITAL RESERVES</b>		
Balance as at the beginning of the year	260,114,054	97,632,774
Transfers during the year	-	162,481,280
Balance as at the end of the year	<b>260,114,054</b>	260,114,054
<b>Represented by:</b>		
Revaluation reserve	244,970,052	244,970,052
Capital accretion reserve	15,144,002	15,144,002
	<b>260,114,054</b>	260,114,054

10.1 The movement of the above reserves is given in the Statement of Changes in Equity.

<b>11. REVENUE RESERVES</b>		
Balance as at the beginning of the year	(28,733,760)	(14,779,265)
Transfers during the year	(32,636,280)	(13,954,495)
Balance as at the end of the year	<b>(61,370,040)</b>	(28,733,760)
<b>Represented by:</b>		
General reserve	176,172	176,172
Accumulated loss	(61,546,212)	(28,909,932)
	<b>(61,370,040)</b>	(28,733,760)

11.1 The movement of the above reserves is given in the Statement of Changes in Equity.

**12. LONG-TERM BORROWINGS**

12.1 Long-Term Bank Loans	Total as at 1st April 2001 Rs.	Obtained during the year Rs.	Payments during the year Rs.	Total as at 31st March 2002 Rs.	Interest Rates
<b>Secured Loans</b>					
DFCC Bank	2,168,976		361,496	1,807,480	2%-11%
National Development Bank (NDB)	26,421,240	2,806,818	2,812,860	26,415,198	2%-17%
Commercial Bank	7,480,000		630,000	6,850,000	17%
Total liability	36,070,216	2,806,818	3,804,356	35,072,678	
Amounts falling due					
within one year	(12,127,608)			(13,811,688)	
Amounts falling due					
after one year	23,942,608			21,260,990	

12.2 DFCC and NDB loans (including loans obtained during the year) have been secured on the Hotel's land, buildings and plant & machinery.

12.3 The Commercial Bank loan has been guaranteed by Carson Cumberbatch & Co. Ltd.

**12. LONG-TERM BORROWINGS (Contd.)**

12.4 On the Government initiative financial institutions who lent long-term offered six months moratorium on capital and interest. Such deferred interest charges were capitalised at an interest rate of 10%. Your Company availed of this facility from NDB (interest & capital both), DFCC (capital only) and Commercial Bank (capital only). The interest so capitalised is shown under "loans obtained during the year", which is to be repaid in full in 20 instalments.

	As at 31st March 2002	As at 31st March 2001
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**13. RETIREMENT BENEFIT OBLIGATIONS****Retirement Benefit Cost - Gratuity**

Balance as at the beginning of the year	1,422,794	1,403,863
Provision for the year	390,362	186,963
	<b>1,813,156</b>	1,590,826
Payments made during the year	(297,724)	(168,032)
Balance as at the end of the year	<b>1,515,432</b>	1,422,794

13.1 The gratuity provision as at 31st March, 2002 amounting to Rs. 1,515,432/- is made based on an Actuarial Valuation carried out as at 31st March, 2001 by Messrs. Actuarial & Management Consultants (Pvt) Ltd., adjusted for liabilities as at 31st March, 2002.

13.2 The liability for gratuity has not been externally funded.

**14. TRADE AND OTHER PAYABLES**

Trade creditors	7,566,739	9,881,897
Other creditors	2,854,053	7,337,078
Provisions and accruals	5,260,749	3,662,962
	<b>15,681,541</b>	20,881,937

**15. AMOUNTS DUE TO RELATED COMPANIES**

Carsons Management Services (Pvt) Ltd.	66,223,727	57,982,453
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**16. NET ASSETS PER ORDINARY SHARE**

The Net assets per ordinary share is based on the total shareholders' equity over the number of ordinary shares in issue as at the Balance Sheet date.

Total shareholders' equity	269,974,184	302,610,464
Number of shares issued	7,123,017	7,123,017
Net assets per ordinary share	<b>37.90</b>	42.48

**17. CAPITAL COMMITMENTS**

There were no contracts for capital expenditure of a material amount as at the Balance Sheet date.



## 18. CONTINGENT LIABILITIES

The Company terminated the services of a few employees who have since filed action in the Labour Tribunal. The case is ongoing and therefore, there may be a potential liability arising in the event the decision is awarded against the Company.

There were no contingent liabilities other than those disclosed above as at the date of the Balance Sheet.

## 19. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

Subsequent to the date of the Balance Sheet, no circumstances have arisen, which required adjustments to, or disclosure in the financial statements.

## 20. COMPARATIVE FIGURES

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

## 21. DIRECTORS' INTERESTS IN CONTRACTS

Messrs. R. F. Poulter, M. Selvanathan, H. Selvanathan, S. Nagendra, W. Unamboowe (resigned w.e.f. 31st March, 2002), D. C. R. Gunawardena, A. K. Sellayah (resigned w.e.f. 31st March, 2002) and G.U. Nanayakkara, Directors of the Company, have an interest in all or some of the transactions of the Company as referred to in Note 22 to the financial statements. They either individually or indirectly have share ownership of companies forming part of the Carsons Group and/or hold Directorates in such related companies.

## 22. RELATED PARTY TRANSACTIONS

Name of Company	Names of Directors	Nature of Transactions
22.1 Carsons Management Services (Pvt.) Ltd.	M. Selvanathan H. Selvanathan W. Unamboowe (resigned w.e.f. 31st March, 2002) D.C.R. Gunawardena A.K. Sellayah (resigned w.e.f. 31st March, 2002)	<ul style="list-style-type: none"> <li>Management fees of Rs. 1,887,126/- was charged by Carsons Management Services (Pvt) Ltd., during the year.</li> <li>An amount of Rs. 66,223,727/- is payable to Carsons Management Services (Pvt) Ltd. as at 31st March, 2002, on account of management fees and funds advanced on which no interest was charged.</li> </ul>
22.2 Carson Cumberbatch & Co. Ltd.	M. Selvanathan H. Selvanathan W. Unamboowe (resigned w.e.f. 31st March, 2002) D.C.R. Gunawardena	<ul style="list-style-type: none"> <li>Overdraft facilities obtained from HSBC and Sampath Bank totalling to Rs. 25,000,000/- are secured on guarantees given by Carson Cumberbatch &amp; Co. Ltd.</li> <li>The long-term loan of Rs. 10 mn. obtained from Commercial Bank has been guaranteed by Carson Cumberbatch &amp; Co. Ltd.</li> </ul>
22.3 Union Assurance Ltd.	H. Selvanathan D.C.R. Gunawardena	Insurance premiums amounting to Rs. 1,258,548/- was paid to Union Assurance Ltd. during the year.

There were no material related party transactions other than those disclosed above.

# Statement of Value Added



*(All figures in the Statement of Value Added are in Sri Lankan Rupees unless otherwise indicated)*

<i>For the year ended 31st March</i>	2002		2001	
Turnover	59,170,833		90,869,472	
Cost of materials and services bought from outside	(53,583,602)		(66,452,239)	
	5,587,231		24,417,233	
<b>Distributed as follows:</b>		<b>%</b>		<b>%</b>
To Employees as remuneration	17,745,851	317.6	18,631,676	76.3
To Government as taxation*	–		–	–
To Providers of capital as interest on loans	12,855,792	230.1	12,481,969	51.1
Retained in the business				
as depreciation	7,621,868	136.4	7,258,083	29.7
as loss for the year	(32,636,280)	(584.1)	(13,954,495)	(57.1)
	5,587,231	100.0	24,417,233	100.0

The Statement of Value Added shows the quantum of wealth generated by the activities of the Company and its applications.

\* Excluding Goods & Services Tax



# Information to Shareholders & Investors

## 1. STOCK EXCHANGE LISTING

Pegasus Hotels of Ceylon Ltd., is a Public Quoted Company, the issued ordinary shares of which are listed with the Colombo Stock Exchange of Sri Lanka.

## 2. SHARE VALUATION

The market value of the Company's shares as at 31st March, 2002 was Rs. 10/- per share (2001 - Rs. 5/-).

## 3. ORDINARY SHAREHOLDERS

<i>As at 31st March</i>	2002	2001
No. of Shareholders	795	779

The number of shares held by non-residents as at 31st March, 2002 was 224,644 which amounts to 3.15% of the issued share capital.

Distribution of Shares	Resident			Non-Resident			Total		
	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%
1 - 1,000	651	156,560	2.20	16	2,939	0.04	667	159,499	2.24
1,001 - 5,000	94	212,217	2.98	3	10,680	0.15	97	222,897	3.13
5,001 - 10,000	11	77,348	1.09	1	7,179	0.1	12	84,527	1.19
10,001 - 50,000	12	229,033	3.21	-	-	-	12	229,033	3.21
50,001 - 100,000	2	115,900	1.63	1	69,280	0.97	3	185,180	2.60
100,001 - 500,000	2	458,151	6.43	1	134,566	1.89	3	592,717	8.32
500,001 - 1,000,000	0	-	-	-	-	-	-	-	-
Above 1,000,000	1	5,649,164	79.31	-	-	-	1	5,649,164	79.31
<b>Total</b>	<b>773</b>	<b>6,898,373</b>	<b>96.85</b>	<b>22</b>	<b>224,644</b>	<b>3.15</b>	<b>795</b>	<b>7,123,017</b>	<b>100.00</b>

Categories of Shareholders	No. of Shareholders	No. of Shares	%
Individuals	750	743,592	10.44
Institutions - Carsons Group	01	5,649,164	79.31
- Others	44	730,261	10.25
<b>Total</b>	<b>795</b>	<b>7,123,017</b>	<b>100.00</b>

The percentage of shares held by the public as at 31st March, 2002 - 20.60% (2001 - 20.69%).



#### 4. SUBSTANTIAL SHAREHOLDINGS

As at 31st March Name of Shareholder	2002		2001	
	No. of Shares	% Holdings	No. of Shares	% Holdings
Carson Cumberbatch & Co. Ltd.	5,649,164	79.31	1,938,599	27.22
DFCC Bank A/C 1	307,200	4.31	307,200	4.31
D.P.M.C. Financial Services (Pvt) Ltd.	150,951	2.12	98,551	1.38
Mrs. E.E.M. Woodward	134,566	1.89	134,566	1.89
Thurston Investments Ltd.	69,280	0.97	69,280	0.97
Keystone Ltd.	64,000	0.90	64,000	0.90
Hongkong & Shanghai Banking Corp. Ltd. - National Equity Fund	51,900	0.73	-	-
Ceylon Hotels Corporation	40,000	0.56	40,000	0.56
Mr. G.L.A. Ondaatjie	37,600	0.53	17,500	0.24
Mr. T. Balasubramaniam & Dr. Mrs. S.S. Balasubramaniam	25,500	0.36	25,500	0.36
Mr. M. Radhakrishnan	24,400	0.34	24,400	0.34
Miss D. Captain	16,000	0.22	10,000	0.14
Ms. P. Captain	15,260	0.21	16,160	0.22
Oxford Garment Industries Ltd.	13,970	0.20	13,970	0.20
Mrs. E.C. Rodrigo	12,363	0.17	12,363	0.17
Dr. C.M. Fernando	11,520	0.16	11,520	0.16
Mr. P. Wijesekera	11,200	0.16	11,200	0.16
Miss N.S. Ratnagopal	10,660	0.15	16,160	0.23
Mr. S.M.A. Hameed	10,560	0.15	10,560	0.15
Mrs. M.A. De Silva	10,000	0.14	-	-
The Selinsing Co. Ltd.	-	-	1,392,480	19.55
The Indo-Malay Estates Ltd.	-	-	743,692	10.44
Leechman & Co. Ltd.	-	-	682,232	9.58
The Good Hope Co. Ltd.	-	-	623,361	8.75
The Shalimar (Malay) Estate Co. Ltd.	-	-	230,400	3.23
Deshabandu Mrs. E.M.G. Fernando	60	0.00	100,060	1.40
Capital Development & Investment Co. Ltd.	-	-	68,031	0.95
Forbes Capital (Pvt) Ltd.	76	0.00	38,976	0.55
The Ceylon Brewery Ltd.	-	-	38,400	0.54

#### 5. MARKET VALUES & SHARE TRADING

For the year ended 31st March	2002	2001
Highest (Rs.)	17.25	7.00
Lowest (Rs.)	3.00	4.75
Volume traded (No. of shares)	4,048,100	37,000
No. of trades	221	68
Value of shares traded (Rs.)	31,843,300	176,425

#### 6. MARKET CAPITALISATION

Market capitalisation of the Company, which is the number of ordinary shares in issue multiplied by the market value of shares, was Rs. 71,230,170/- as at 31st March, 2002 (2001 - Rs. 35,615,085/-).

#### 7. NUMBER OF EMPLOYEES

The number of employees at the end of the year was 156 (2001 - 244).



# Financial Highlights

(All figures in the Financial Highlights are in Sri Lankan Rupees unless otherwise stated)

Year ended 31st March	2002	2001	2000	1999	1998
<b>TRADING RESULTS</b>					
Turnover (net)	59,170,833	90,869,472	86,666,813	104,267,856	96,785,245
(Loss)/profit from operations	(19,780,488)	(1,472,526)	2,163,299	18,170,785	11,495,172
Finance cost	(12,855,792)	(12,481,969)	(9,577,006)	(10,197,565)	(10,229,285)
(Loss)/profit before taxation	(32,636,280)	(13,954,495)	(7,413,707)	7,973,220	1,265,887
Taxation	-	-	-	-	-
(Loss)/profit after taxation	(32,636,280)	(13,954,495)	(7,413,707)	7,973,220	1,265,887
<b>SHAREHOLDERS' FUNDS</b>					
Ordinary share capital	71,230,170	71,230,170	71,230,170	71,230,170	71,230,170
Reserves	198,744,014	231,380,294	82,853,509	90,267,216	82,293,996
<b>Shareholders' funds</b>	<b>269,974,184</b>	<b>302,610,464</b>	<b>154,083,679</b>	<b>161,497,386</b>	<b>153,524,166</b>
<b>ASSETS EMPLOYED</b>					
Property, plant & equipment	408,696,931	414,691,501	252,941,283	241,857,119	236,154,398
Current assets	14,123,876	33,513,604	23,855,909	39,368,592	30,583,731
Current liabilities	(130,070,201)	(120,229,239)	(85,239,434)	(112,477,191)	(102,044,912)
<b>Working capital</b>	<b>(115,946,325)</b>	<b>(86,715,635)</b>	<b>(61,383,525)</b>	<b>(73,108,599)</b>	<b>(71,461,181)</b>
<b>Assets employed</b>	<b>292,750,606</b>	<b>327,975,866</b>	<b>191,557,758</b>	<b>168,748,520</b>	<b>164,693,217</b>
Creditors due after one year	(21,260,990)	(23,942,608)	(36,070,216)	(5,846,634)	(9,858,994)
Deferred liabilities	(1,515,432)	(1,422,794)	(1,403,863)	(1,404,500)	(1,310,057)
<b>Net assets</b>	<b>269,974,184</b>	<b>302,610,464</b>	<b>154,083,679</b>	<b>161,497,386</b>	<b>153,524,166</b>
<b>PROFITABILITY</b>					
Profit margin (%)	-	-	-	7.65	1.31
Return on shareholders' funds (%)*	-	-	-	4.94	0.82
Return on equity (%)**	-	-	-	11.19	1.78
<b>LIQUIDITY</b>					
Current ratio (times)	0.11	0.28	0.28	0.35	0.30
<b>DEBT RATIO</b>					
Debt equity (%)	50	41	47	44	45
<b>INVESTOR RATIOS</b>					
(Loss)/earnings per share (Rs.)	(4.58)	(1.96)	(1.04)	1.12	0.18
Net assets per share (Rs.)	37.90	42.48	21.63	22.67	21.55
Market price per share (Rs.)	10.00	5.00	7.00	8.00	15.00
<b>HOTEL OPERATIONS</b>					
Occupancy (%)	26	48	44	57	66

**Notes:**

\* Profit attributable to shareholders divided by shareholders' funds (total of share capital and reserves).

\*\* Profit attributable to shareholders divided by the share capital.

# Notice of Meeting



NOTICE IS HEREBY GIVEN that the THIRTY-SIXTH Annual General Meeting of the Company will be held at 11.30 a.m. on Thursday the 30th day of May, 2002 at Pegasus Reef Hotel, Santha Maria Mawatha, Hendala, Wattala, for the following purposes:

1. To receive and adopt the Report of the Directors and the Financial Statements for the year ended 31st March, 2002, together with the Report of the Auditors thereon.
2. To re-elect Mr. H. Selvanathan who retires in terms of the Articles of Association of the Company.
3. To re-elect Mr. D.C.R. Gunawardena who retires in terms of the Articles of Association of the Company.
4. To appoint Auditors and to authorise the Directors to determine their remuneration.

By Order of the Board,  
**Carsons Management Services (Pvt) Ltd.**  
*Managers & Secretaries*

*Colombo*  
*7th May, 2002*

## **NOTES :**

1. *A member is entitled to appoint a proxy to attend and vote instead of him/herself. A proxy need not be a member of the Company. A form of proxy accompanies this notice.*
2. *The completed form of proxy must be deposited at the Registered Office, No. 61, Janadhipathi Mawatha, Colombo 1, not less than forty-eight hours before the time fixed for the meeting.*
3. *The transfer books of the Company will be kept open.*
4. **Security Check**  
*We shall be obliged if the shareholders attending the Annual General Meeting produce their National Identity Cards to the security personnel stationed at the entrance lobby.*



# Form of Proxy

\* I/We .....

of .....

being \* a Member/Members of **PEGASUS HOTELS OF CEYLON LTD.**, hereby appoint:

Reginald Frederick Poulter	or failing him,
Manoharan Selvanathan	or failing him,
Hariharan Selvanathan	or failing him,
Sega Nagendra	or failing him,
Don Chandima Rajakaruna Gunawardena	or failing him,
Godaliyanage Udaya Nanayakkara	or failing him,

.....

of.....

as \*my/our proxy \*to speak and/to vote for \*me/us on \*my/our behalf at the Annual General Meeting of the Company to be held at 11.30 a.m. on Thursday the 30th day of May, 2002 at Pegasus Reef Hotel, Wattala and at any adjournment thereof, and at every poll which may be taken in consequence thereof.

	For	Against
(i) To adopt the Report of the Directors and the Financial Statements for the year ended 31st March, 2002 together with the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
(ii) To re-elect Mr. H. Selvanathan who retires in terms of Article 84 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
(iii) To re-elect Mr. D.C.R. Gunawardena who retires in terms of Article 84 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
(iv) To re-appoint as Auditors, Messrs. KPMG Ford, Rhodes, Thornton & Co. and authorise the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>

In witness \*my/our hands on this..... day of

..... Two Thousand and Two.

.....  
Signature of shareholder/s.

- Notes:**
- (a) \* Please delete the inappropriate words.
  - (b) Instructions are noted on the reverse hereof.



#### **INSTRUCTIONS AS TO COMPLETION**

1. Kindly perfect the form of proxy after filling in legibly your full name and address, by signing in the space provided. Please fill in the date of signature.
2. A proxy need not be a member of the Company.
3. If the shareholder is a Company or Body Corporate, the form of proxy should be executed under its common seal in accordance with its Articles of Association or Constitution.
4. If the form of proxy is signed by an Attorney, the relative Power of Attorney should also accompany the completed form of proxy if it has not already been registered with the Company.
5. The completed form of proxy should be deposited at the Registered Office of the Company situated at No. 61, Janadhipathi Mawatha, Colombo 1, not less than forty-eight hours before the time appointed for the meeting.

Please complete and return this Form on or before 23rd May, 2002

The Directors  
Pegasus Hotels of Ceylon Ltd.  
61, Janadhipathi Mawatha  
Colombo 1

**"36th Annual General Meeting"**

Full Name : .....

Address : .....

..... Tel : .....

Kindly tick (✓) appropriate Box

Attending the Meeting and Lunch on 30th May, 2002

Yes	No
-----	----

Signature : .....