

PEGASUS HOTELS OF JAMAICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 March 1995

1. OWNERSHIP:

The company is a public quoted company and is 59.8% owned by National Hotels and Properties Limited, a wholly owned subsidiary of Urban Development Corporation, which is owned by the Government of Jamaica.

2. SIGNIFICANT ACCOUNTING POLICIES:

(a) Depreciation -

- (i) Depreciation is calculated on buildings and furniture and fittings on the straight line basis at rates that will write off their cost or carrying value over the period of their estimated useful lives. Annual rates of depreciation are 1.43% for buildings, 14.28% for furniture and fittings and 20% for motor vehicles.
- (ii) A replacement reserve for soft furnishings and minor equipment is credited with 5% of gross sales. Replacements are charged against the reserve as and when incurred.

(b) Revaluation of fixed assets -

Buildings and certain furniture and fixtures are revalued on a replacement cost basis every three years (note 9). The next

scheduled revaluation is 31 March 1996.

- (c) Inventories -
Inventories are stated at the lower of cost and net realisable value, cost being determined on the first-in first-out basis.
- (d) Foreign currency translation -
Balances payable and receivable in foreign currencies are translated at rates of exchange ruling at year end, any resultant gain or loss on translation is reflected in the profit and loss account.

The rates ruling at year end were as follows:

	Buying		Selling	
	1995	1994	1995	1994
	\$	\$	\$	\$
United States				
dollar	33.1005	32.8359	33.4051	33.3639
Pound sterling	51.7021	44.5781	52.2295	45.6420

- (e) Gross revenue -
This consists of gross income from all departments.

These financial statements are expressed in Jamaican dollars.

3. MANAGEMENT:

By a Management Agreement dated 30 May 1994, Forte (UK) Ltd. is responsible for the management of the hotel. The agreement is for a period of three years commencing on 1 April 1994, with an option to continue for three further terms of three years, subject to certain performance criteria being met.

Fees payable are the sum of:-

- (a) 3% of the hotel's gross revenue less debts written off and
- (b) 7 1/2% of the hotel's gross operating profit as defined by the Agreement.

4. TAXATION:

The tax charge is based on profit for the year adjusted for taxation purpose and comprises:

	1995	1994
	\$'000	\$'000
Income tax @ 33 1/3%	12,129	23,084
Prior year (over) /under provision	(84)	(48)
Special tax credit arising from the issue of bonus shares	(3,032)	-
	9,013	23,132

5. DIVIDEND:

	1995	1994
	\$'000	\$'000
Paid, \$0.30 gross (1994 - \$0.30)	21,056	21,056

6. EARNINGS PER STOCK UNIT:

The calculation of earnings per stock unit is based on the net profit of \$21,071,000 (1994 - \$42,068,000) and 84,224,040 ordinary stock units in issue at the end of the year. The comparative 1994 figure has been restated to give effect to the subsequent bonus issue during the year (note 7).

7. SHARE CAPITAL:

	1995	1994
	\$'000	\$'000
Authorised - ordinary shares of \$1 each	85,187	70,187
Issued and fully paid - stock units of \$1 each	84,224	70,187

During the year the company increased its authorised share capital by \$15,000,000 and made a bonus issue of one ordinary share for every five stock units issued. The issue was made by utilising \$14,037,340 of the company's retained earnings.

8. CAPITAL RESERVE:

	1995	1994
	\$'000	\$'000
Balance at beginning of year - Unrealised surplus on revaluation of land, buildings and furniture and fixtures	863,404	926,572
Movement during the year - Bonus issue of shares	-	(68,168)
Balance at end of year	863,404	863,404

9. FIXED ASSETS:

	Land	Buildings	Fixtures and furnishings	Motor Vehicles	Work in Progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cost or valuation -						
1 April 1994	345,195	51,189	151,320	1,985	-	1,016,689
Additions	-	-	-	-	37,072	37,072
Disposals	-	-	-	(95)	-	(95)
Transfers	-	-	31,434	489	31,923	-
31 March 1995	345,195	518,189	182,754	2,379	5,149	1,053,666
Depreciation -						
1 April 1994	-	7,410	15,826	890	-	24,126
On disposals	-	-	-	(95)	-	(95)
Charge for the year	-	7,410	21,734	476	-	29,620
31 March 1995	-	14,820	37,560	1,271	-	53,651
Net book value-						
31 March 1995	345,195	503,369	145,194	1,108	5,149	1,000,015
31 March 1994	345,195	510,779	135,494	1,095	-	992,563

Land was revalued in March 1993 on the basis of fair market value by Langford and Brown, valuers and real estate agents. Buildings and furniture and fittings were revalued in March 1993 on a replacement cost basis by Stoppi Cairney Bloomfield, quantity surveyors. The surpluses arising on these revaluations were credited to capital reserve. All other fixed assets and subsequent additions are stated at cost.

10. LONG TERM RECEIVABLE:

National Housing Trust contributions amounting to \$170,746

are recoverable over the years 2001 to 2004.

11. LONG TERM LIABILITY:

	1995	1994
	\$'000	\$'000
National Development Bank	-	479
Less current portion	-	479
	-	-

This loan bore interest at 16% per annum. Interest and capital were repayable over five years by equal monthly instalments commencing 1 February 1990 and ending 1 February 1995.

12. REPLACEMENT RESERVE:

A replacement reserve is built up from the trading account to cover the cost of replacing furniture and equipment, fixtures and fittings, furnishings and linen. The sum provided for replacement represents 5% of gross sales (note 2 (a)).

Movement on this reserve is as follows:

	1995	1994
	\$'000	\$'000
Balance at beginning of year	-	821
Provided during the year	14,116	14,702
	14,116	15,523
Expenditure during the year	14,116	15,523
Balance at end of year -	-	-

13. PENSION PLAN:

The company operates a pension plan administered by Life of Jamaica Limited in which all permanent employees must participate. The company contributes at the rate of 5% of pensionable salaries; employees contribute at a mandatory rate of 5%, but may make voluntary contributions not exceeding a further 5%.

The last actuarial valuation of the scheme, carried out as at 31 December 1991, indicated that the scheme was adequately funded.

The company's contribution for the year amounted to \$1,666,324 (1994 - \$1,061,754).

14. CONTINGENT LIABILITY:

The company has issued an indemnity for US\$150,000 to one of its bankers to cover any potential claims or losses that the bank might incur as a result of carrying out the company's instruction to stop payment on a US\$150,000 draft which it had sold to the Bank of Jamaica ("Central Bank").

Formal demand has been made by the Central Bank for payment of the abovementioned sum by the company and its bankers. However, management has received legal advice that any loss suffered by the Central Bank as a result of this transaction is due to the actions of one of its officers and such loss should be absorbed by the Central Bank.

Consequently, no provision has been made in these financial statements in respect of this matter.