

PEGASUS HOTELS OF JAMAICA LIMITED 1997

CHAIRMAN'S STATEMENT

The year under review brought into sharp focus the need for us to continuously improve our efficiency and systems. The benefits we have derived for a number of years which had resulted from continuous devaluation of the Jamaican Dollar was halted due to the new circumstance of a revaluation of the Jamaican Dollar. We therefore in this year had a reduced average room rate over the rates of the previous years.

- Inflation began to moderate in the latter part of the financial year, however, the labour agreements made in the previous year had anticipated higher levels of inflation and therefore our payroll costs grew at a higher rate than inflation.
- Despite the revaluation of the Jamaican Dollar, gross revenue for the year was J\$357M, an increase of 2.4%. Profit, however, before tax and exceptional items was J\$27.8M, a decline of 45%. Net profit after tax and exceptional items was J\$18.3M, a decline of 34.1%.

Every effort has been made and continues to be made to improve the efficiency in our endeavour to hold cost on all operations at our hotel. We continued the refurbishing and upgrading of the bedrooms, as well as the mechanical and electrical equipment. This is done, not only to

preserve the value of our investment but to reinforce its earning potential in the future.

Competition continues to increase in Kingston with the opening of one new hotel during the year under review and with the anticipated opening of another during the current year. In addition to these a number of existing hotels in the capital city increased their capacity and expanded their facilities during the past year.

Our plans for the current year include the refurbishing and upgrading of at least two additional bedroom floors, the installation of a new and more energy efficient chiller to improve the air conditioning system and the upgrading of the hotel's telecommunications.

Taking into account all the circumstances, a 10 cents per share dividend was declared. This will be paid on 27th June, 1997 to shareholders on the Register of Members on 13th June, 1997.

Your Directors continue to strive to improve the return on our investment. However, the hotel industry in Kingston is affected by the current over-supply of accommodation.

During the year your longest serving Director, Mr. Edward C. Ashenheim passed away. He had served your Company for 26 years and had made a great contribution to its welfare. His seat on the Board has been taken by Mr. John Issa.

Your Board, Management and Staff once again wish to thank all our customers and suppliers for their continued support. It is this support that has kept the Jamaica Pegasus in the enviable position as the leading hotel in Kingston.

JOHN J. ISSA, C.D., J.P.
CHAIRMAN

19 MAY 1997