PEGASUS HOTELS OF JAMAICA LIMITED 2000

Notes to the Financial Statements

31 March 2000

1. Identification and Principal Activity

   Pegasus Hotels of Jamaica Limited is a company limited by shares, incorporated under the Laws of Jamaica. The company 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.

   The company owns and operates "Le Meridien Jamaica Pegasus".

   By a Management Agreement dated 29 September 1997, Meridien SA is responsible for the management of the hotel. The agreement is for a period of five years commencing on 1 April 1997, with an option to continue for a further term of five years, subject to certain performance criteria being met.

   Fees payable are the sum of:

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

   These financial statements are expressed in Jamaican dollars.

2. Significant Accounting Policies

   (a) Basis of preparation

   These financial statements have been prepared in accordance with and comply with Jamaican

Accounting Standards, and have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets.

(b) Use of estimates

The preparation of financial statements in conformity with Jamaican generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

(c) Financial instruments

Financial instruments carried an the balance sheet include cash and bank balances, long term receivable, inventories, receivables, group balances, and payables. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

The fair values of the company's financial instruments are discussed in Note 14.

(d) Fixed assets

All fixed assets are initially recorded at cost. Land is revalued on a fair market value basis, buildings and certain fixtures and furnishings are revalued on a replacement cost basis (Note 10). No valuations have been booked since 31 March 1993 as it is the directors' opinion that current market conditions do not support any further upliftment in the carrying value of the company's fixed assets.

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.

Gains or losses on disposal of fixed assets are determined by reference to their carrying amount and are taken into account in determining operating profit.

(e) Replacement reserve

A replacement reserve is built up from the trading account to cover the cost of replacing soft furnishings and minor equipment. The reserve is credited with an amount equivalent to 5% of gross revenue. Replacements are charged against the reserve as and when incurred.

(f) Inventories

Inventories are stated at the lower of cost and net realisable value, cost being determined on the first-in first-out basis. Net realisable value is the estimate of the selling price in the ordinary course of business.

(g) Trade receivables

Normally, guest accounts should be paid at the time of departure. However, credit facilities are extended to many businesses and organisations. Trade receivables are carried at anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at the year end. Bad debts are written off during the year in which they are identified.

(h) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash at bank and in hand, and deposits held at call with banks, net of bank overdrafts.

(i) Foreign currency translation

Transactions during the year are converted into Jamaican dollars at the appropriate rates of exchange ruling on transaction dates. Assets and liabilities denominated in foreign currencies are translated into Jamaican dollars at the appropriate rates of exchange ruling on balance sheet date. Gains or losses arising from fluctuations in exchange rates are reflected in the profit and loss account.

(j) Revenue recognition

Sales are recognised upon performance or delivery of services and customer acceptance.

(k) Employee benefit costs

The company operates a defined benefit contribution plan, the assets of which are generally held in a separate trustee-administered fund. The company accrues and funds pension costs annually. Such costs are actuarially determined and include amounts to fund past and future service benefits and expenses.

(l) Comparative information
Where necessary, comparative figures have been reclassified to conform with changes in presentation in the current year. In particular, the comparatives have been adjusted or extended to take into account the requirements of the following new Accounting Standards:

(i) JSSAP 3.29 - Financial Instruments: Disclosure and Presentation
(ii) JSSAP 3.30 - Presentation of Financial Statements

3. Gross Revenue

This consists of gross income from room, food and beverage, communications and other sales, and excludes General Consumption Tax.

4. Operating Loss

The following items have been chargedAcredited) in arriving at operating loss:

	2000	1999
	$'000	$'000
Auditors' remuneration	850	825
Depreciation	44,913	44,650
Directors' emoluments	300	300
Gain on disposal of property, plant and Equipment	(2,464)	-
Management fees	9,618	9,159
Repairs and maintenance	24,080	25,748
Replacement reserve	16,225	15,384
Staff costs (note 5)	103,552	102,873

5. Staff Costs

	2000	1999
	$'000	$'000
Wages and salaries	85,892	83,885
Statutory deductions	6,180	6,674

Pension costs	2,376	2,681
Wages and salaries	9,104	9,633
	103,552	102,873

Average number of persons employed by the company during the year:

	2000	1999
	No.	No.
Full-time	215	232
Part-time	35	33
	250	265

6. Finance (Expense)/Income

	2000	1999
	$'000	$'000
Foreign exchange gains/(losses), net	148	2,259
Bank charges	(239)	(170)
	(91)	2,089

7. Exceptional Items

The current year amount represents the proceeds of an insurance claim for loss of business and loss of profits arising from flood damages in 1998. The prior year amount represents payments to former employees in connection with the termination of their employment.

8. Taxation

There is no provision for taxation in these financial statements due to statutory losses incurred. Subject to agreement with the Commissioner of Income Tax, losses available for offset against future profits of the company amount to approximately $29,700,000 (1999 - $27,933,000) and may be carried forward indefinitely.

9. Fixed Assets

	Land	Buildings	Fixtures & Furnishings	Motor Vehicles	Total
	$'000	$'000	$'000	$'000	$'000
Cost or Valuation -					
1 April 1999	345,195	518,189	265,228	2,379	1,130,991

Additions	-	-	11,051	-	11,051
Disposals	-	-	(2,571)	-	(2,571)
31 March 2000	345,195	518,189	273,708	2,379	1,139,471
Depreciation -					
1 April 1999	-	44,460	148,639	2,379	195,478
Charge for the year	-	7,410	37,503	-	44,913
On disposals	-	-	(2,571)	-	(2,571)
31 March 2000	-	51,870	183,571	2,379	237,820
Net Book Value -					
31 March 2000	**345,195**	**466,319**	**90,137**	**-**	**901,651**
31 March 1999	**345,195**	**473,729**	**116,589**	**-**	**935,513**

Land was revalued in March 1993 on the basis of fair market value by Langford and Brown, valuers and real estate agents. Buildings and fixtures and furnishings 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 reserves (Note 12). 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. Share Capital

	2000 $'000	1999 $'000
Authorised -		
115,000,000 Ordinary shares of $1 each	**115,000**	**115,000**
Issued and fully paid -		
114,444,455 stock units of $1 each	**114,444**	**114,444**

12. Capital Reserves

Capital reserves represent unrealised surplus on revaluation of land, buildings, furniture and fixtures.

13. Loss per Stock Unit

The calculation of loss per stock unit is based on the net loss and 114,444,455 ordinary stock units in issue for both years.

14. Financial Instruments

(a) Currency risk
Cash, receivables and payables at 31 March 2000 include aggregate net foreign liabilities of approximately US$78,000 (1999 - $161,000) in respect of transactions arising in the ordinary course of business.

(b) Credit risk
The company has no significant concentrations of credit risk. Cash and short term deposits are with substantial financial institutions.

(c) Fair values
The amounts included in the financial statements for cash and bank balances, receivables and payables reflect their approximate fair values because of the short-term maturity of these instruments.

15. 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 1997, indicated that the scheme was adequately funded at that date.